TRENDS

What's new?:

Weigh criteria to predict product performance

By Richard Lawrence

In 1986, drug stores were asked to make room for 1,112 health and beauty aids introductions, according to Marketing Intelligence Service, a new products monitoring firm in Naples, N.Y. That's not counting package size, color and flavor variants, or many of the 3,950 new foods, beverages and household products that also competed for drug stores' limited shelf space.

How many of these were truly *new*—new products that your customers will buy and keep buying? It's too soon for a final verdict, but nothing suggests that the failure rate—traditionally a stunning 80%—will be any less for 1986.

The Innovation Index, Product Initiatives' quarterly report of formula, positioning, packaging, technological and marketing innovations in drug store and grocery product launches, show only one in seven new health and beauty aids had anything really new in 1986. That's down from the one in six that had anything new in 1985.

In addition, although being new is important, it doesn't guarantee success. Even the best introductions can fail without proper advertising, promotion and distribution—and some of the 1986 crop are certain to wither for lack of commitment.

Potential risks

We all know the cost of failure is enormous. The manufacture of a new, nationally distributed shampoo might have $50 million at risk in development and marketing support. The retailer jeopardizes his store economics if new products don't outperform those they replace.

Thomas W. Wilson Jr., a director of McKinsey and Co., used figures from Super Valu, as shown in the accompanying chart, to show the potential danger, when he spoke to the

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World New Products Conference. In this case, almost half the items in the warehouse had been first listed in the past five years, but they only accounted for 32% of tonnage and 29% of dollar sales.

Everyone loses in the ultimate equation when the consumer, inured to an indiscriminate flood of new products, buys mainly on price.

What can a retailer do to protect his interests? How can manufacturers be encouraged to develop products that are really new?

When considering whether to list a new product, you certainly should look at the total system: adjusted gross margin, likely turns, pack configuration, number of sku's, case size, order requirements, the manufacturer's planned advertising and consumer promotion and so forth. But there is a series of basic questions you can ask about the new products before you get to those other considerations.

Predicting performance

Positive answers won't guarantee a winner, but they will improve your odds for success. However, a product that doesn't measure up on these questions won't offer your customers a significant point of difference. It won't be a truly new product, and consequently, no matter how good the other aspects, it will very likely fail.

If you insist on new products having a significant point of difference before you list them, you'll be using a formal test to predict a buying decision that consumers would make informally and intuitively. You'll be your customers' first line of defense, in many cases saving yourself the expense of the negative verdict consumers would otherwise be rendering on new products already on your shelves.

The significant point of difference is what makes the new brand distinct from others—that is, why the consumer will desire it in preference to the brands that are currently available. Here are five questions that will help you decide if the new brand has a significant difference.

1. Does the brand have a difference that consumers can recognize? Too many new products are based on technical differences measurable in the laboratory, but not measurable by the consumer in normal use. Be skeptical of propositions that claim, for example, that they "dissolve X% faster" or "absorb Y% more acid." Often, the support for such claims is in vitro testing, which may not be indicative of a detectable performance difference for individuals waiting for relief from a headache.

New item performance

	Items	Tonnage sales	$ sales
Old items	54.2%	68.2%	71.1%
*New items**	45.8%	31.8%	28.9%

*First listed in past five years

2. Does the brand have a difference that your customers need or want? What do customers need or want? They want benefits such as *quality*, as implied by brand names they have learned to trust. They want *improved performance*, as with the first enteric-coated analgesics, which lessened the risk of stomach upset for those sensitive to, or taking regular dosages of, ASA. They want *value*, as with store brand products that promise national brand performance at a lower price.

They want *convenience:* For example, the first extended-release cold and allergy medications, provided a simple morning and evening dosage regimen. They want *solutions to problems*, as with the first fluoride dentifrices, which significantly reduced dental caries. And they want *new services*, such as the one-stop muffler shops like Midas.

If the new product isn't needed or wanted, it won't be significant. However, your customers often don't know what they want, especially when it comes to new products. This is why the next question is so important.

3. Does the brand's point of difference go hand in hand with a chord of familiarity? Consumers are more receptive to a new product when they can see something that links it to their past experience. This chord of familiarity should highlight the point of difference, or newness, by contrasting with it. For example, the chord of familiarity is italicized in these once-new products: liquid *soap*, disposable *diapers*, light *beer*, *styling* mousse, instant *camera*, rechargeable *batteries*.

4. Is the brand's point of difference credible and is it confirmed on delivery? Consumers must believe the new brand will deliver the significant point of difference it promises; if you think they won't, then consumers are unlikely to make that first purchase. And if you think the brand won't deliver, then consumers probably won't buy it again.

5. Is the brand's point of difference communicated in every aspect of its presentation? People buy brands, not products.

The name, pack, price, the product itself, the appeals and the advertising should focus the selling propositions of the brand and communicate its point of difference. Branding, or the presentation of an idea, can even create a new product's point of difference. When it was introduced, Clinique was a totally new presentation for cosmetics: The brand promised skin care rather than skin beautification. An appropriate, scientific name combined with beautiful packaging influenced the brand's incredible success.

L'Eggs pantyhose is probably no better than many other brands. Yet the unique presentation in terms of package, name and distribution through racks have created a huge success.

I think you'll find the simple discipline of these questions will improve your batting average on new listings. But there is a caution: Be sensitive to the "how" as well as the "what" when considering whether a new brand has a significant point of difference. Products can appeal in four ways: to rational thinking, to sensation, to the emotions and to intuition. Most products, in fact, employ a combination of appeals, with one appeal dominating or leading.

Nonrational appeal

A significant point of difference doesn't have to be based on a rational appeal, and it is self-defeating to try to create logical, product-based points of difference in many categories where actual performance differences are slim, or undetectable.

Many marketers fall into this trap, especially in health products, because modern medical therapy is essentially rational, and rational strategies generally are easier to conceive and understand. Consequently, stronger opportunities for differentiation are ignored.

A hot liquid cold remedy has a sensate appeal that reinforces the perception of efficacy. Contact lenses that change the color of the eyes as well as correcting vision carry an additional emotional benefit. In both cases, the nonrational appeals help create a potentially significant point of difference.

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Triple A products spell drug store P-R-O-F-I-T-S

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of the market by cross merchandising heavily with toys, photo, home lighting and consumer electronics, in addition to permanent displays.

Manufacturers played a role in growth here too, with a flurry of virtual non-stop promotions to build impulse sales. It is notable that consumers don't stockpile batteries for future use, but tend to use what they buy quickly. So more impulse purchases don't rob from future sales; they truly build sales.

While the same can't be said exactly for over-the-counter medications, many drug stores constantly aim for the image of being the first store in the market to carry new items, and that they're always in stock.

That's particularly important in a category such as antacids, where a small percentage of heavy users dominate the market. They want the brand to which they're loyal, so the local drug store had better stock it.

Antacids continue to be a planned purchase, so wall placement is thought to be unnecessary by some space management sources because high visibility won't generate a lot of impulse sales. They are, however, generally in-line near pharmacy, where recommendations can steer customers.

That is a common approach in merchandising OTCs, especially categories in which new products surface often. The vitamins and supplements category, for instance, has seen many cycles of new introductions. Fish oil and calcium products currently share the limelight for their supposed abilities to retard or reverse various ailments. Customers often rely on pharmacists to talk straight with them about advertised benefits.

That reliance helps to position pharmacists as willing partners in the well-being of their customers, and increases their exposure from behind-the-counter. It is precisely the posture drug store operators seek, since it fortifies the personal image and lets customers know they can get quick, knowledgeable advice on the broad range of OTCs and pharmaceutical products.

It is particularly important because additional Triple A categories—the workhorse performers in drug stores—include laxatives, lens care, cough/cold, analgesics and diet aids.

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100 Hottest General Merchandise Items

Number of units		*Dollar sales*		*Dollar margin*	
RANK	**PRODUCT NAME**	**RANK**	**PRODUCT NAME**	**RANK**	**PRODUCT NAME**
1	Dove Bath Bar	1	Polaroid 600 High Speed	1	Polaroid 600 High Speed
2	Ivory Soap Per Size 4 pack	2	Polaroid 600 Speed Twinpak	2	Polaroid 600 Speed Twinpak
3	Comet Cleanser 14 oz.	3	Duracell Alkaline AA 4 pk	3	Duracell Alkaline AA 4 pk
4	Duracell Alkaline AA 2 pk	4	Polaroid SX-70 Time Zero	4	Eveready Energizer AA 4
5	Eveready Energizer AA 2 pk	5	Eveready Energizer AA 4 pk	5	Duracell Alkaline D cell 2 pk
6	Polaroid 600 High Speed	6	Polaroid SX-70 Twinpak	6	Polaroid SX-70 Time Zero
7	Kodacolor CA 135-24 VR-G 100	7	Kodacolor HR Disc Doublepak	7	Duracell Alkaline C cell 2 pk
8	Duracell Alkaline AA 4 pk	8	Duracell Alkaline D cell 2 pk	8	Kodacolor HR Disc Doublepak
9	Clorox Liq. Bleach 1 gal	9	Kodacolor CA 135-24 VR-G 100	9	Duracell Alkaline AA 2 pk
10	Kodak CB 110-24 VRG 200	10	Kodacolor CB 135-24 Vr-G 200	10	Kodacolor CA 135-24 VR-G 100
11	Duracell Alkaline D cell 2 pk	11	Kodak CB 110-24 VRG 200	11	Kodacolor CB 135-24 Vr-G 200
12	Kodacolor HR Disc Singlepak	12	Duracell Alkaline C cell 2 pk	12	Kodak CB 110-24 VRG 200
13	Kodacolor CB 135-24 Vr-G 200	13	Kodak CM 135-24 VR 400	13	Duracell Alkaline 9 volt Blister pk
14	Dove Personal Size 3.5 oz.	14	Duracell Alkaline AA 2 pk	14	Polaroid SX-70 Twinpak
15	Reynolds Standard Alum Wrap 25ft	15	Kodacolor HR Disc Singlepak	15	Eveready Energizer D cell 2 pk
16	Duracell Alkaline C cell 2 pk	16	Kodacolor CA 135-36 VR-G 100	16	Eveready Energizer C cell 2 pk
17	Zest Deo Beauty Soap Bath	17	Duracell Alkaline 9 volt Blister pk	17	Kodak CM 135-24 VR 400
18	Kodak CM 135-24 VR 400	18	Kodak CM 135-36 VR 400	18	Kodacolor HR Disc Singlepak
19	Kodacolor HR Disc Doublepak	19	Eveready Energizer D cell 2 pk	19	Eveready Super Hvy duty AA 4 pk
20	Eveready Energizer AA 4 pk	20	Everready Energizer C cell 2 pk	20	Kodacolor CA 135-36 VR-G 100
21	Eveready Super Hvy duty AA 4 pk	21	Kodacolor CB 135-36 VR-G 200	21	Kodak CM 135-36 VR 400
22	Kodacolor CA 135-36 VR-G 100	22	White Cloud Toilet 4pk white	22	Eveready Energizer AA 2 pk
23	Eveready Super Hvy Duty C Cells 2s	23	Dove Bath Bar	23	Duracell Alkaline AAA 2 pk
24	Eveready Super Hvy Duty D Cell 2s	24	Eveready Super Hvy duty AA 4 pk	24	Eveready Energizer 9 Volt Single
25	Eveready Energizer D cell 2 pk	25	Eveready Energizer AA 2 pk	25	Kodacolor CB 135-36 VR-G 200
26	Eveready Energizer C cell 2 pk	26	Ivory Soap Per Size 4 pack	26	White Cloud Toilet 4pk white
27	Caress Bath Soap & Oil 4.75 oz.	27	Tide Liq 64 oz.	27	Dove Bath Bar
28	Safeguard Deo Soap Bath	28	Kodacolor VR 1000 CF135-24	28	Kodacolor VR 1000 CF135-24
29	Bounty Designer Big Roll	29	Kodak 35MM K40	29	Eveready Super Hvy Duty D Cell 2 pack
30	Polaroid 600 Speed Twinpak	30	Duracell Alkaline AAA 2 pk	30	Ivory Soap Per Size 4 pack
31	Duracell Alkaline AAA 2 pk	31	Eveready Energizer 9 Volt Single	31	Crayola Crayons 24 ct.
32	Bounty Asst Big Roll	32	Charmin White 4 pk	32	Charmin White 4 pk
33	Kodak CM 135-36 VR 400	33	Tide Deter Low Phos 42 oz.	33	Sylvania Magicube
34	Coast Bath Soap 5 oz.	34	Polaroid LMS 600 Free Film	34	Eveready Energizer AAA 2 pk
35	Duracell Alkaline 9 volt Blister pk	35	Kodak Disc 3100	35	Sylvania Super10 FlipFlash 2 pack
36	Kleenex Asst 175s	36	Charmin Yellow/Blue 4 pk	36	Sylvania Flash Bar
37	Polaroid SX-70 Time Zero	37	Eveready Super Hvy Duty D Cell 2s	37	Tide Liq 64 oz.
38	Charmin White 4 pk	38	Posh Puffs Facial Tissues 100s	38	Eveready Super Hvy Duty C Cells 2s
39	Eveready Energizer AAA 2 pk	39	Kodak Tele Disc	39	Sylvania Super 10 FlipFlash
40	Tide Deter Low Phos 42 oz.	40	Cheer Deter Low Phos 42 oz.	40	Tide Deter Low Phos 42 oz.
41	Kodacolor CB 135-36 VR-G 200	41	Kodak CB 110-12 VR-G 200	41	Bic Mechanical Pencil 5 PK &2 free
42	Tide Unscented 42oz Low Phos	42	Bounty Designer Big Roll	42	Kodak CB 110-12 VR-G 200
43	Kodak CB 110-12 VR-G 200	43	Kodak CB 126-24 VR-G 200	43	Kodak CB 126-24 VR-G 200
44	Eveready Flashlight Size D 4 pak	44	Puff Facial Tissue 250 Ct.	44	Kodak Disc 3100
45	Kleenex Family 250s	45	Kodacolor CM 110-24 400SPD	45	Charmin Yellow/Blue 4 pk
46	White Cloud Toilet 4pk white	46	Polacolor 108 Single Pk#108	46	Kodak 35MM K40
47	Crayola Crayons 24 ct.	47	Kleenex Family 250s	47	Kodacolor CM 110-24 400SPD
48	Crayola Crayons 16 ct.	48	Sylvania Magicube	48	Polacolor 108 Single Pk#108
49	Cheer Deter Low Phos 42 oz.	49	Eveready Energizer AAA 2 pk	49	Bounty Designer Big Roll
50	Kleenex White 175s	50	Tide Unscented 42oz Low Phos	50	Posh Puffs Facial Tissues 100s

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100 Hottest General Merchandise Items

Number of units		Dollar sales		Dollar margin	
RANK	**PRODUCT NAME**	**RANK**	**PRODUCT NAME**	**RANK**	**PRODUCT NAME**
51	Charmin Yellow/Blue 4 pk	51	Sylvania Super10 FlipFlash 2 pack	51	Puff Facial Tissue 250 Ct.
52	Eveready Energizer 9 Volt Single	52	Sylvania Flash Bar	52	Cheer Deter Low Phos 42 oz.
53	Elmers School Glue 4 oz.	53	Clorox Liq. Bleach 1 gal	53	Eveready Flashlight Size D 4 pak
54	Reynolds Alum Wrap Econ 75 ft	54	Crayola Crayons 24 ct.	54	Eveready Super Hvy Duty 9 Vt 2 pk
55	Dawn Liq. Derter 32 oz.	55	Eveready Super Hvy Duty C Cells 2s	55	Kodak Tele Disc
56	Charmin Pink/Green 4 pk	56	White Cloud Pink/Green 4 pk	56	Puffs White Facial Tissue 175s
57	Puffs Asst Facial Tissues 175s	57	Sylvania Super 10 FlipFlash	57	White Cloud Pink/Green 4 pk
58	Scotch Magic Cell Tape 3/4 X 300	58	Puffs White Facial Tissue 175s	58	Tide Unscented 42oz Low Phos
59	White Cloud Pink/Green 4 pk	59	Kleenex White 175s	59	Puffs Asst Facial Tissues 175s
60	Scotch Magic Cell Tape 1/2 X 450	60	Puffs Asst Facial Tissues 175s	60	Comet Cleanser 14 oz.
61	Puffs White Facial Tissue 175s	61	Bic Mechanical Pencil 5 PK &2 free	61	Clorox Liq. Bleach 1 gal
62	Tide Liq 64 oz.	62	Dove Personal Size 3.5 oz.	62	Kleenex Family 250s
63	Bic 10 Pack Pens Blue	63	Reynolds Alum Wrap Econ 75 ft	63	Zest Deo Beauty Soap Bath
64	Crayola Crayons Jumbo 8 ct.	64	Comet Cleanser 14 oz.	64	Dove Personal Size 3.5 oz.
65	Kleenex Boutique 36/100s	65	Eveready Flashlight Size D 4 pak	65	Reynolds Standard Alum Wrap 25ft
66	Elmers Glue-all 4 oz.	66	Bold 3 liquid 64 oz.	66	Kleenex White 175s
67	Kleenex Softique 250s	67	Fab Liquid 64 oz.	67	Polaroid Spectra Single pak
68	Kodacolor CM 110-24 400SPD	68	Sylvania Flash600/Polaroid Amigo	68	Bounce Fab Softener 40 ct.
69	Puff Facial Tissue 250 Ct.	69	Klaenex Asst 175s	69	Reynolds Alum Wrap Econ 75 ft
70	Kodacolor VR 1000 CF135-24	70	Polaroid Spectra Single pak	70	Crayola Markers Asst Colors 8 ct
71	Eveready Super Hvy Duty 9 Vt 2 pk	71	Zest Deo Beauty Soap Bath	71	Safeguard Deo Soap Bath
72	Polaroid SX-70 Twinpak	72	Eveready Super Hvy Duty 9 Vt 2 pk	72	Bold 3 liquid 64 oz.
73	Posh Puffs Facial Tissues 100s	73	Bounce Fab Softener 40 ct.	73	Elmers Glue-all 4 oz.
74	Bic Mechanical Pencil 5 PK &2 free	74	Caress Bath Soap & Oil 4.75 oz.	74	Crayola Crayons 16 ct.
75	Crayola Markers Asst Colors 8 ct	75	Bounty Asst Big Roll	75	Fab Liquid 64 oz.
76	Bounce Fab Softener 40 ct.	76	Cascade Dishwasher Deter 50 oz.	76	Kleenex Asst 175s
77	Clorox II All Fabr Bleach 40 oz.	77	Safeguard Deo Soap Bath	77	Crayola Crayons Jumbo 8 ct.
78	Kodak CB 126-24 VR-G 200	78	Dawn Liq. Derter 32 oz.	78	Coast Bath Soap 5 oz.
79	Sylvania Magicube	79	Kodak CB 126-12 VR-G 200	79	Caress Bath Soap & Oil 4.75 oz.
80	Scotch Cello Magic 1/2 X 800	80	Coast Bath Soap 5 oz.	80	Kodak CB 126-12 VR-G 200
81	Pledge Polish Lemon Scent Spr 7 oz	81	Clorox II All Fabr Bleach 40 oz.	81	Clorox II All Fabr Bleach 40 oz.
82	Sylvania Super 10 FlipFlash	82	Cascade Deter Lemon Scent 50 oz.	82	Papermate 10 pack pens
83	Erasermate II 6 pack Blue	83	Charmin Pink/Green 4 pk	83	Elmers School Glue 4 oz.
84	Bold 3 liquid 64 oz.	84	Kleenex Softique 250s	84	Bounty Asst Big Roll
85	Cascade Dishwasher Deter 50 oz.	85	Fab Laundry Pow Deter 42 oz.	85	Cascade Dishwasher deter 50 oz.
86	Kodak CB 126-12 VR-G 200	86	Crayola Markers Asst Colors 8 ct	86	Charmin Pink/Green 4 pk
87	Cascade Deter Lemon Scent 50 oz.	87	Pledge Polish Lemon Scent Spr 7 oz	87	Cascade Deter Lemon Scent 50 oz.
88	Fab Laundry Pow Deter 42 oz.	88	Crayola Crayons 16 ct.	88	Bic 10 pack pens blue
89	Fab Liquid 64 oz.	89	Crayola Crayons Jumbo 8 ct.	89	Pledge polish lemon scent spr 7 oz.
90	Sylvania Flash Bar	90	Scotch Tape Trans. Acet. 1/2 X 500	90	Kodak 35MM K10
91	Lysol Aerosol Spray 6 oz	91	Papermate 10 Pack pens	91	Kleenex softique 250s
92	Mr Clean For No wax floors 28oz	92	Woolite Self Cleaning Rug .22 oz.	92	Crayola Crayons 48 ct.
93	Woolite Self Cleaning Rug 22 oz.	93	Scotch Cello Magic Disp 1/2 X 800	93	Woolite self cleaning rug 22 oz.
94	Lysol Spray 12 oz.	94	Mr Clean For No wax floors 28oz	94	Mr. Clean for no wax floors 28 oz.
95	Endust Lemon Scent 6 oz.	95	Lysol Spray 12 oz.	95	Kleenex Boutique 36/100s
96	Lysol Spray 18 oz	96	Elmers Glue-all 4 oz.	96	Lysol spray 18oz.
97	Polacolor 108 Single Pk#108	97	Scotch Magic Cell Tape 3/4 X 300	97	Lysol spray 12 oz.
98	Glade Air Freshener Early Spr 7 oz	98	Scotch Magic Cell Tape 1/2 X 450	98	Glade Air Freshener Early Spr 7 oz.
99	Papermate Malibu Pen carded	99	Papermate Power Point Slim Pen	99	Endust 10 oz.
100	Sylvania Super10 FlipFlash 2 pack	100	Reynolds Standard Alum Wrap 25ft	100	Pledge Polish Lemon Sct. 14 oz.

100 Hottest H&BA, OTC Items

Number of units		Dollar sales		Dollar margin	
RANK	**PRODUCT NAME**	**RANK**	**PRODUCT NAME**	**RANK**	**PRODUCT NAME**
1	Fleet Enema Disposable 4.5 oz.	1	Centrum 100 w/30 Free	1	Oil of Olay Beauty Fluid 4 oz.
2	Vaseline Lip Therapy .35 oz.	2	Oil of Olay Beauty Fluid 4 oz.	2	Centrum 100 w/30 Free
3	Tylenol Extra Strength Caplets 50s	3	Tylenol Extra Strength Caplets 50s	3	Tylenol Extra Strength Caplets 50s
4	Advil Tablets 24s	4	B&L Sensitive Eyes Solution 12 oz.	4	B&L Sensitive Solution 12 oz.
5	Vicks Nyquil 6 oz.	5	Mylanta II 12 oz.	5	Tylenol Extra Strength Caplets 100s
6	B&L Sensitive Eyes Solution 12 oz.	6	Advil Tablets 50s	6	Mylanta II 12 oz.
7	Tampax Super 40s	7	Listerine Mouthwash 32 oz.	7	Advil Tablets 50s
8	Similac Ready To Feed w/Iron 32 oz.	8	Vicks Nyquil 6 oz.	8	Listerine Mouthwash 32 oz.
9	Alka Seltzer Plus Cold Tabs 20s	9	Alka Seltzer Plus Cold Tabs 36s	9	Alka Seltzer Plus Cold Tabs 36s
10	Afrin Nasal Spray 1/2 oz.	10	Tylenol Extra Strength Caplets 100s	10	Vicks Nyquil 6 oz.
11	Tylenol Extra Strength Tabs 30s	11	Tampax Super 40s	11	Oil of Olay Beauty Fluid 6 oz.
12	Isomil Ready To Feed 32 oz.	12	Bayer Reg Strength Tabs 100s	12	Mylanta Liquid 12 oz.
13	Oil of Olay Beauty Fluid 4 oz.	13	Advil Tablets 100s	13	Bayer Reg Strength Tabs 100s
14	Mylanta Liquid 12 oz.	14	Oil of Olay Beauty Fluid 6 oz.	14	Allergan Lens Cleaner Tabs 24s
15	Sudafed Tabs 30mg 24s	15	Mylanta Liquid 12 oz.	15	Advil Tablets 100s
16	Benadryl-25 Kapseals 24s	16	Allergan Lens Cleaner Tabs 24s	16	Trojan Enz Lubricated 12s
17	Oral B 40 Toothbrush	17	Benadryl-25 Kapseals 24s	17	Tylenol Extra Strength Caplets 175s
18	Advil Tablets 50s	18	Anacin Tablets 100s	18	Drixoral Decongestant Tabs 20s
19	Tampax Original Regular 40s	19	Tylenol Extra Strength Tabs 60s	19	Alka Seltzer Plus Cold Tabs 20s
20	Mylanta II 12 oz.	20	Vicks Nyquil 10 oz.	20	Anacin Tablets 100s
21	Similac Ready To Feed 32 oz.	21	Alka Seltzer Plus Cold Tabs 20s	21	Sudafed Tabs 30mg 24s
22	Maalox Plus Suspension 12 oz.	22	Tampax Original Regular 40s	22	Afrin Nasal Spray 1/2 oz.
23	Tylenol Extra Strength Caplets 100s	23	Fibre Trim Tablets 100s	23	Tylenol Extra Strength Tabs 60s
24	Crest Tartar Control 6.4 oz.	24	Tylenol Extra Strength Tabs 100s	24	Vicks Nyquil 10 oz.
25	Listerine Mouthwash 6 oz.	25	Advil Tablets 24s	25	Benadryl-25 Kapseals 24s
26	Pepto-Bismol Liquid 4 oz.	26	Sudafed Tabs 30mg 24s	26	Fibre Trim Tablets 100s
27	Bayer Reg Strength Tabs 100s	27	Afrin Nasal Spray 1/2 oz.	27	Dimetapp Elixir 4 oz.
28	Colgate Regular 7 oz.	28	E.P.T. Plus Early Pregnancy Test	28	Tylenol Extra Strength Tabs 100s
29	Centrum 100 w/30 Free	29	Theragran-M Tablets 100 w/30 Free	29	Advil Tablets 24s
30	Listerine Mouthwash 32 oz.	30	Dimetapp Elixir 4 oz.	30	Tampax Super 40s
31	Neosporin Ointment 1/2 oz.	31	Tylenol Extra Strength Tabs 30s	31	E.P.T. Plus Early Pregnancy Test
32	Unisol 4 Saline Solution Twinpak	32	Tylenol Extra Strength Caplets 24s	32	Tylenol Children's Elixir 4oz.
33	Crest Tartar Control Gel 6.4 oz.	33	Stayfree Super Maxipads 30s	33	Tylenol Extra Strength Caplets 24s
34	Dimetapp Elixir 4 oz.	34	Tylenol Children's Elixir 4oz.	34	Tylenol Extra Strength Tabs 30s
35	Benadryl Elixir 4 oz.	35	Tylenol Drops 1/2 oz.	35	Theragran-M Tablets 100 w/30 Free
36	Colgate Regular 5 oz.	36	Fleet Enema Disposable 4.5 oz.	36	Neosporin Ointment 1/2 oz.
37	Bayer Reg Strength tabs 50s	37	Drixoral Decongestant Tabs 20s	37	Vaseline Lip Therapy .35 oz.
38	Robitussin-DM 4 oz.	38	Tampax Super Plus 40s	38	Fleet Enema Disposable 4.5.oz.
39	Tylenol Drops 1/2 oz.	39	Trojan Enz Lubricated 12s	39	Drixoral Decongestant Tabs 40s
40	Listerine Mouthwash 12 oz.	40	Neosporin Ointment 1/2 oz.	40	Dimetapp Extentabs 12s
41	Tylenol Extra Strength Caplets 24s	41	Os-Cal Supplement 500mg 60s	41	Tylenol Drops 1/2 oz.
42	Visine Eye Drops 1/2 oz.	42	Dexatrim Extra Strength Caps 20s	42	Dimetapp Extentabs 24s
43	Drixoral Decongestant Tabs 10s	43	Gillette Atra Blades 10s	43	Drixoral Decongestant Tabs 10s
44	Tylenol Extra Strength Tabs 60s	44	Dimetapp Extentabs 24s	44	Dexatrim Extra Strength Caps 20s
45	Pepto-Bismol Liquid 8 oz.	45	Stayfree Maxipads 30s	45	Tampax Original Regular 40s
46	Tampax Super Plus 40s	46	Robitussin-DM 4 oz.	46	Sudafed Tabs 30mg 48s
47	Colgate Pump Regular 4.5 oz.	47	Benadryl Elixir 4 oz.	47	Robitussin-DM 4 oz.
48	Alka Seltzer Tablets 36s	48	Drixoral Decongestant Tabs 40s	48	Depend Undergarment Regular 36s
49	B&L Sensitive Solution 8 oz.	49	Tampax Reg Slender 40s	49	Maalox Plus Suspension 12 oz.
50	Tampax Super 10s	50	Dimetapp Extentabs 12s	50	Advance Pregnancy Test

Continued on page 24

100 Hottest H&BA, OTC Items

Number of units		Dollar sales		Dollar margin	
RANK	**PRODUCT NAME**	**RANK**	**PRODUCT NAME**	**RANK**	**PRODUCT NAME**
51	Crest Mint 6.4 oz.	51	Maalox Plus Suspension 12 oz.	51	Aosept Disinfecting Solution
52	Mennen Speed Stick Reg 2.5 oz.	52	Vaseline Lip Therapy .35 oz.	52	Robitussin-DM 8 oz.
53	Tylenol Children's Elixir 4oz.	53	Playtex Super Deod Tampons 28s	53	Rid Pediculicide 4 oz.
54	Crest Regular 6.4 oz.	54	Efferdent Denture Tablets 96s	54	Contac Capsules 20s
55	Actifed Tabs 24s	55	Sudafed Tabs 30mg 48s	55	Pepto-Bismol Liquid 8 oz.
56	Aqua-Fresh Toothpaste 6.4 oz.	56	Pepto-Bismol Liquid 8 oz.	56	Stayfree Super Maxipads 30s
57	Vicks Formula 44-D 4 oz.	57	B&L Saline Solution 12 oz.	57	Dimetapp Elixir 8 oz.
58	Tylenol Chewable Tabs 30s	58	Robitussin-DM 8 oz.	58	Efferdent Denture Tablets 96s
59	Enfamil Ready To Feed w/Iron 32 oz.	59	Drixoral Decongestant Tabs 10s	59	Flex Care Disinfecting Sol. 12 oz.
60	Q-Tips Cotton Swabs 300s	60	Stayfree Deod Maxipads 30s	60	First Response Pregnancy Test
61	Isomil Concentrate 13 oz.	61	Depend Undergarment Regular 36s	61	Vicks Formula 44-D 4 oz.
62	Gillette Atra Blades 5s	62	Advance Pregnancy Test	62	Benadryl Elixir 4 oz.
63	Pedialyte Ready To Use Fruit 32 oz.	63	Dimetapp Elixir 8 oz.	63	Allergan Lens Cleaner Tabs 48s
64	Vicks Nyquil 10 oz.	64	Vicks Formula 44-D 4 oz.	64	Allergan Lens Cleaner Tabs 12s
65	Maalox Suspension 12 oz.	65	Tylenol Chewable Tabs 30s	65	Tylenol Chewable Tabs 30s
66	Dimetapp Extentabs 12s	66	Aosept Disinfecting Solution	66	B&L Saline Solution 12 oz.
67	Stayfree Deod Maxipads 30s	67	First Response Pregnancy Test	67	Depend Undergarment Extra 30s
68	Preparation H Ointment 1 oz.	68	Gillette Trac II Blades 9s	68	Maalox Suspension 12 oz.
69	Gillette Atra Blades 10s	69	Rid Pediculicide 4 oz.	69	Unisol 4 Saline Solution Twinpak
70	Close-Up 6.4 oz. Twin Regular	70	Maalox Suspension 12 oz.	70	Keri Lotion 6.5 oz.
71	Aqua-Fresh Toothpaste 4.6 oz.	71	Bufferin Reg. Strength Tabs 100s	71	Visine Eye Drops 1/2 oz.
72	Contac Capsules 10s	72	Similac Ready To Feed w/Iron 32 oz.	72	Bufferin Reg. Strength Tabs 100s
73	Alka Seltzer Plus Cold Tabs 36s	73	Flex Care Disinfecting Sol. 12 oz.	73	Preparation H Suppositories 12s
74	Stayfree Super Maxipads 30s	74	Actifed Tabs 24s	74	Gillette Atra Blades 10s
75	Summers Eve V&W Twinpk Douche	75	Unisol 4 Saline Solution Twinpak	75	Playtex Super Deod Tampons 28s
76	Tampax Reg Slender 40s	76	Preparation H Suppositories 12s	76	Tampax Super Plus 40s
77	Stayfree Maxipads 30s	77	Allergan Lens Cleaner Tabs 48s	77	Stayfree Maxipads 30s
78	Trojan Enz Lubricated 12s	78	Q-Tips Cotton Swabs 300s	78	Tylenol Extra Strength Tabs 200s
79	Anacin Tablets 100s	79	Allergan Lens Cleaner Tabs 12s	79	Contac Capsules 10s
80	Advil Tablets 100s	80	Depend Undergarment Extra 30s	80	Q-Tips Cotton Swabs 300s
81	Enfamil Concentrated w/Iron 13 oz.	81	Visine Eye Drops 1/2 oz.	81	Pepto-Bismol Liquid 4 oz.
82	Playtex Super Deod Tampons 28s	82	Preparation H Ointment 1 oz.	82	Nuprin Tablets 50s
83	Tylenol Extra Strength Tabs 100s	83	Crest Tartar Control 6.4 oz.	83	Actifed Tabs 24s
84	Colgate Pump Gel 4.5 oz.	84	Nuprin Tablets 50s	84	Colace Caps 100mg 60s
85	Ban Roll-On Antipers/Deod Reg 1.5oz	85	Efferdent Denture Tablets 60s	85	Stayfree Deod Maxipads 30s
86	Scope Mouthwash 24 oz.	86	Playtex Reg Deod Tampons 28s	86	Pliagel Soft Cleaning Solution
87	Gillette Atra plus Pivot Twin Blades 5s	87	Crest Mint 6.4 oz.	87	Efferdent Denture Tablets 60s
88	Drixoral Decongestant Tabs 20s	88	Crest Tartar Control Gel 6.4 oz.	88	A-200 Pyrinate Liquid 4 oz.
89	Preparation H Suppositories 12s	89	Contac Capsules 10s	89	Crest Tartar Control 6.4 oz.
90	Neosporin Cream 15 gm	90	Keri Lotion 13 oz.	90	Today Vaginal Sponge 3s
91	Gillette Trac II Blades 10s	91	Pepto-Bismol Liquid 4 oz.	91	Preparation H Ointment 1 oz.
92	Ban Roll-On Antipers/Deod Reg 2.5oz	92	Playtex Reg Tampons 28s	92	Tampax Reg Slender 40s
93	Oil of Olay Beauty Fluid 6 oz.	93	Playtex Super Plus Deod 28s	93	Keri Lotion 13 oz.
94	Vaseline Intensive Care Lot 10 oz.	94	Dexatrim Extra Strength Caps 40s	94	Crest Mint 6.4 oz.
95	Dristan Advance Formula 24s	95	Colace Caps 100mg 60s	95	Crest Tartar Control Gel 6.4 oz.
96	Theragran-M Tablets 100 w/30 Free	96	A-200 Pyrinate Liquid 4 oz.	96	Dexatrim Extra Strength Caps 40s
97	Vaseline Intensive Care Lot 15 oz.	97	Playtex Super Tampons 28s	97	Pepto-Bismol Liquid 16 oz.
98	Listerine Mouthwash 18 oz.	98	Pliagel Soft Cleaning Solution	98	Oral B 40 Ad. Toothbrush Tabbed
99	Tylenol Regular Strength Tabs 100s	99	Primatene Mist Refill 15cc	99	Dristan Advance Formula 24s
100	Colgate Regular 9 oz.	100	Today Vaginal Sponge 3s	100	Nuprin Tablets 150s

Consumer demand, promos spark battery profits

Batteries as a profit center moved from charged to supercharged with the combination of rising consumer demand and strong vendor promotions spurred by Kodak's market entry.

Chains gained double-digit sales growth by combining their own promotions with those of vendors, which took a variety of forms. While Eveready continued to emphasize multi-giveaway packs, Duracell used on-pack rebate offers. Rayovac, on the other hand, preferred rebate pads. Vendors meanwhile showered buyers with co-op and display allowances.

Industry sources estimated batteries would grow 10% a year, with $3.5 billion in sales in 1990.

Kodak gained following

Kodak gained a significant following, despite some sentiment that their product was redundant. Chains including Walgreens, Eckerd, Genovese, Longs and Brooks carried their batteries, as the vendor claimed a close to 10% share of the $2.5 billion retail sales in 1986.

Chains were more creative in how they merchandised batteries in the face of competition from discount stores and supermarkets, both of which have posted slightly stronger battery sales growth than drug stores in the last five years. While drug stores gained one point in share of units sold, from 17% in 1981 to 18% in 1986, discount stores moved 3% higher, to 35%, and food stores by 3%, to 27%.

Besides cross-merchandising batteries with such departments as toys, cameras or home lighting, stores were boosting exposure with separate in-line departments and counter displays.

Chains reported strong demand for multipacks among consumers looking to power their electronic toys and "boom box" radios inexpensively. With the need for more power, alkalines—providing six times the power of a zinc-cadmium battery at twice the price—continued their growth surge. They accounted for 62% of the market in 1986, compared with just 15% in 1975.

Wide demand

Demand for batteries will be coming from a number of directions: Toy manufacturers are relying more heavily than ever on battery-powered toys, led by the talking dolls segment, and toys that interact with video screens.

In the meantime, manufacturers estimate that up to one-third of already purchased battery-powered devices contain spent cells or none at all.

While buyers report strong sales in multipacks, some believe they have a limited potential because customers aren't accustomed to buying in advance of their need.

Chains looked for another strong year in 1988, fueled by price hikes by Eveready and Duracell, which some buyers said they plan to pass on to customers.

Fastest moving batteries
(unit sales)

1	Duracell alkaline AA, 2 pk
2	Eveready Energizer AA, 2 pk
3	Duracell alkaline AA, 4 pk
4	Duracell Alkaline D cell, 2 pk
5	Duracell Alkaline C cell, 2 pk
6	Eveready Energizer AA, 4 pk
7	Eveready Super Hvy Duty AA, 4 pk
8	Eveready Super Hvy Duty C cell, 2 pk
9	Eveready Super Hvy Duty D cell, 2 pk
10	Eveready Energizer D cell, 2 pk
11	Eveready Energizer C cell, 2 pk
12	Duracell Alkaline AAA, 2 pk
13	Duracell Alkaline 9 volt
14	Eveready Energizer AAA, 2 pk
15	Eveready Flashlight Size D, 4 pk

Highest volume batteries
(retail dollars)

1	Duracell alkaline AA, 4 pk
2	Eveready Energizer AA, 4 pk
3	Duracell Alkaline D cell, 2 pk
4	Duracell Alkaline C cell, 2 pk
5	Duracell Alkaline 9 volt
6	Eveready Energizer D cell, 2 pk
7	Eveready Energizer C cell, 2 pk
8	Eveready Super Hvy Duty AA, 4 pk
9	Eveready Energizer AA, 2 pk
10	Duracell Alkaline AAA, 2 pk
11	Eveready Energizer 9 volt
12	Eveready Super Hvy Duty D cell, 2 pk
13	Eveready Energizer AAA, 2 pk
14	Eveready Super Hvy Duty C Cell, 2 pk
15	Eveready Flashlight Size D, 4 pk

Most profitable batteries
(gross margin dollars)

1	Duracell Alkaline AA, 4 pk
2	Eveready Energizer AA, 4 pk
3	Duracell Alkaline D cell, 2 pk
4	Duracell Alkaline C cell, 2 pk
5	Duracell Alkaline AA, 2 pk
6	Duracell Alkaline 9 volt
7	Eveready Energizer D cell, 2 pk
8	Eveready Energizer C cell, 2 pk
9	Eveready Super Hvy duty AA, 4 pk
10	Eveready Energizer AA, 2 pk
11	Duracell Alkaline AAA, 2 pk
12	Eveready Energizer 9 volt
13	Eveready Super Hvy Duty D cell, 2 pk
14	Eveready Energizer AAA, 2 pk
15	Eveready Super Hvy Duty C Cell, 2 pk

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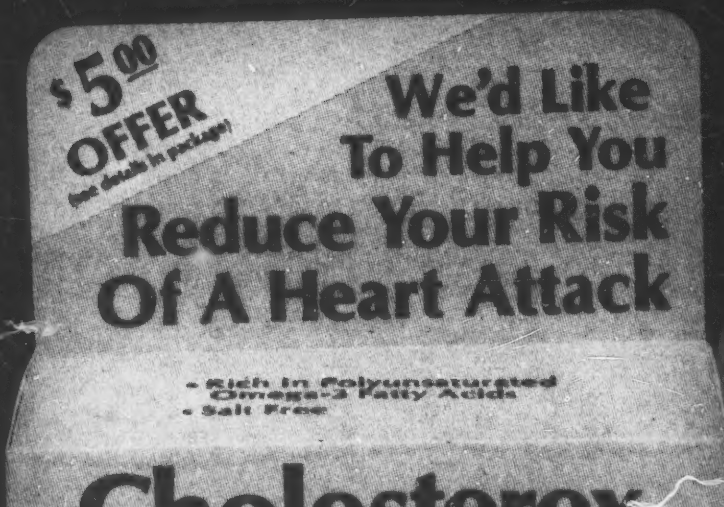
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Cough/cold presentation demands special attention

Ask any retailer what moves more OTC cough and cold products better than any promotion, and the answer almost every time will be a good flu season. While that may be true, to many consumers and some retailers, the list of products that are considered to be cough and cold products may be somewhat misleading.

Products that are clearly advertised for the control of allergies or sinus congestion—two conditions not necessarily related to a cold or flu but that present the consumer with coldlike or flulike symptoms—are often clumped into the cough and cold category regardless of the product's indicated labeling on its package.

What does all this mean for the retailer? It means that retailers have to take a hard look at how they present their cough and cold merchandise to the consumer. Today's cough and cold front-end sections are seldom seen broken down by disease state, such as allergy or sinus. Instead, many retailers opt to put allergy, sinus or other line extensions of already established cold or flu products next to existing products, regardless of the conditions for which they are used.

Because of this "one product cures all" type of merchandising, many consumers will choose several cough and cold products to treat symptoms that might well have been treated by one specifically indicated product. The retailer reaps the benefits of multiple sales, and consumers eventually bring their condition under control.

Another effect from consumers buying a variety of cough and cold products to treat specific problems is an end to seasonal selling. Although spring and summer are traditionally the peak seasons for allergy purchases, more retailers are seeing a spreading out of these sales, and more and more consumers are reaching for antihistamines to treat cold symptoms.

Aside from a proliferation of product lines, the cough and cold category has benefited from products that were once sold by prescription only. While the number of Rx-to-OTC switched products has slowed considerably over the past two years, perennial favorites continue to be such Rx-to-OTC products as Actifed and Sudafed tablets, Drixoral tablets, Afrin nasal spray and Benadryl capsules.

These Rx-to-OTC switched products and other natural extensions of existing product lines may create longer lines at the cash register but a shortage of space on the shelf, as less popular brands of cough and cold products fall by the wayside. Retailers must keep abreast of better-selling products and be able to accommodate constantly shifting planograms.

1	Vicks Nyquil 6 oz.
2	Alka Seltzer Plus Cold Tabs 20s
3	Afrin Nasal Spray 1/2 oz.
4	Sudafed Tabs 30 mg 24s
5	Benadryl-25 Kapseals 24s
6	Dimetapp Elixir 4 oz.
7	Benadryl Elixir 4 oz.
8	Robitussin-DM 4 oz.
9	Drixoral Decongestant Tabs 10s
10	Actifed Tabs 24s

Highest volume cough/cold formulas
(retail dollars)

1	Vicks Nyquil 6 oz.
2	Alka Seltzer Plus Cold Tabs 36s
3	Benadryl-25 Kapseals 24s
4	Vicks Nyquil 10 oz.
5	Alka Selter Plus Cold Tabs 20s.
6	Sudafed Tabs 30mg 24s
7	Afrin Nasal Spray 1/2 oz.
8	Dimetapp Elixer 4 oz.
9	Drixoral Decongestant Tabs 20s
10	Dimetapp Extentabs 24s.
11	Robitussin-DM 4 oz.
12	Benadryl Elixir 4 oz.
13	Drixoral Decongestant Tabs 40s
14	Dimetapp Extend Tabs 12s
15	Sudafed Tabs 30mg 48s
16	Robitussin-DM 8 oz.
17	Drixoral Decongestant Tabs 10s
18	Dimetapp Elixer 8 oz.
19	Vicks Formula 44-D 4 oz
20	Actifed Tabs 24s.

Most profitable cough/cold formulas
(gross margin dollars)

1	Alka Selter Plus Cold Tabs 36s
2	Vicks Nyquil 6 oz.
3	Drixoral Decongestant Tabs 20s
4	Alka Selter Plus Cold Tabs 20s
5	Sudafed Tabs 30mg 24s
6	Afrin Nasal Spray 1/2 oz
7	Vicks Nyquil 10 oz
8	Benadryl-25 Kapseals 24s
9	Dimetapp Elixir 4 oz
10	Drixoral Decongestant Tabs 40s
11	Dimetapp Extend Tabs 12s
12	Dimetapp Extend Tabs 24s
13	Drixoral Decongestant Tabs 10s
14	Sudafed Tabs 30mg 48s
15	Robitussin-DM 4 oz
16	Robitussin-DM 8 oz
17	Contac Capsules 20s
18	Dimetapp Elixir 8 oz
19	Vicks Formula 44-D 4 oz
20	Benadryl Elixir 4 oz

Photo sales click due to 35mm format; dept. up 4%

The 35mm camera format has emerged as the clearcut winner in photo, thanks to several trends.

First, the flurry of autofocus, light and easy-to-use rangefinder cameras appeal to a huge segment of amateur picturetakers seeking quality images without a lot of fuss.

Second, a new baby boom among couples who can afford to buy photo equipment and film has made photography the No. 1 nonessential first year family expense, according to an industry study. The study pegged the average family's expenditure in a baby's first year at $222 on camera and film.

Moreover, Kodak has rejoined the ranks of 35mm camera suppliers in an affordable $70-$150 price range.

More serious, more photos

Since more serious photographers who favor 35mm over disc, instant and other formats also tend to take more pictures, still color film sales have grown 11.2% at drug chains in 1986 to $294.8 million. The total photo/video department grew 4.75% to $1.29 billion at drug chains last year.

It's all systems go for the 35mm film acceleration. According to the Photo Marketing Association, 35mm accounted for 51.3% of film sales; instant, 16.8%; disc, 15.8%; 110 and 126, 14.6%; and other, 1.5% in 1986. Industry sources estimate the 35mm share will grow to 70%-75% by the end of the decade.

That's good news for retailers for two reasons: quality image and the profits opportunity in photofinishing.

"We're finding that half of our processing business is now being done for serious 35mm photographers," one chain drug manager told *Drug Store News* recently. "There has probably been a shift of as much as 20% in our business recently to that segment."

While photofinishing promotions remain an integral part of the drug store merchandising scene, merchants are clearly moving to increase their photofinishing service and quality levels. Some are experimenting with mini-labs, and virtually all seek to cut developing costs—and thus retail prices—to the bone.

35mm film competition

In the 35mm film market, Fuji and 3M are posing some aggressive competition to Kodak with an array of sports promotions and other efforts. Some retailers said private label film programs helped produce photo department growth.

Meantime, in the arena of instant photography, Polaroid said that Spectra camera users consume film at a rate 40% higher than other Polaroid camera users.

Highest volume cameras
[illegible]

1	Polaroid LMS 600 Free Film
2	Kodak Disc 3100
3	Kodak Tele Disc

Most profitable cameras
(gross margin dollars)

1	Kodak Disc 3100
2	Kodak Tele Disc

Fastest moving photo products
(unit sales)

1	Polaroid 600 High Speed
2	Kodacolor CA 135-24
3	Kodak CB 110-24VRG 200
4	Kodacolor HR Disc Single-pak
5	Kodacolor CB 135-24 Vr-G 200
6	Kodak CM 135-24 VR 400
7	Kodacolor HR Disc Doublepak
8	Kodacolor CA 135-36 VR-G 100
9	Polaroid 600 Speed Twinpak
10	Kodak CM 135-36 VR 400
11	Polaroid SX-70 Time Zero
12	Kodacolor CB 135-36 VR-G 200
13	Kodak CB 110-12 VR-G 200
14	Kodacolor CM 110-24 400SPD
15	Polaroid SX-70 Twin pak
16	Kodak CB 126-24 VR-G 200
17	Sylvania Magicube
18	Sylvania Super 10 Flip Flash

Highest volume photo products
(retail dollars)

1	Polaroid 600 High Speed
2	Polaroid 600 Speed Twinpak
3	Polaroid SX-70 Time Zero
4	Polaroid SX-70 Twinpak
5	Kodacolor HR Disc Doublepak
6	Kodacolor CA 135-24 VR-G 100
7	Kodacolor CB 110-24 VRG 200
8	Kodak CB 110-24 VRG 200
9	Kodak CM 135-24 VR 400
10	Duracell Alkaline AA 2 pk
11	Kodacolor HR Disc Singlpak
12	Kodacolor CA 135-36 VR-G 100
13	Kodak CM 135-36 VR 400
14	Kodacolor CB 135-36 VR-G 200
15	Kodacolor VR 1000 CF135-24
16	Kodak 35mm K40
17	Kodak CB 110-12 VR-G 200
18	Kodak CB 126-24 VR-G 200
19	Kodacolor CM 110-24 400spd
20	Polacolor 108 Single Pk#108
21	Sylvania Magicube
22	Sylvania Super10 FlipFlash 2 pk
23	Sylvania Flash Bar

Most profitable photo products
(gross margin dollars)

1	Polaroid 600 High Speed
2	Polaroid 600 Speed Twinpak
3	Polaroid SX-70 Time Zero
4	Kodacolor HR Disc Doublepak
5	Kodacolor CA 135-24 VR-G 100
6	Kodacolor CB 135-24 Vr-G 200
7	Kodak CB 110-24 VRG 200
8	Polaroid SX-70 Twinpak
9	Kodak CM 135-24 VR 400
10	Kodacolor HR Disc Singlepak
11	Kodacolor CA 135-36 VR-G 100
12	Kodak CM 135-36 VR 400
13	Kodacolor CB 135-36 VR-G 200
14	Kodacolor VR 1000 CF135-24
15	Sylvania Magicube
16	Sylvania Super10 FlipFlash 2 pk
17	Sylvania Flash Bar
18	Sylvania Super 10 FlipFlash
19	Kodak CB 110-12 VR-G 200
20	Kodak CB 126-24 VR-G 200
21	Kodak 35mm K40
22	Kodacolor CM 110-24 400spd
23	Polacolor 108 Single Pk#108

Variety, promotions perk baby needs

Baby needs are developing into one of the more dynamic drug store categories.

Chains are refining their product mixes in diapers to make way for new slimmer versions that are more space-efficient. Yet they have found that pricing continues to be a cutthroat business, particularly against the supermarkets.

Chains used promotions of the latest in diapers to draw young mothers into their stores, but are often being forced to hit low-margin price points of under $10 on diaper packs. Chains nationwide emphasized offers of popular diapers such as Pampers Ultra, Huggies Super Trim and Luvs Super Baby Pants.

But they were able to recover margins in other segments of the baby needs category, which is becoming more varied with introductions such as Revlon's Care For Kids, comprised of two mousse shampoos, and other products designed for children.

Items such as feeding dishes, rattles and toys, usually impulse-pegged, could produce the margins lacking in baby diapers.

Chains such as Revco, Harco, Happy Harry's and Begley reduced footage of thick diapers in favor of the new launches in the $2.8 billion disposable diaper business. But buyers didn't necessarily add facings to vendors' selections. If new products came in, old ones were culled. Or chains introduced their private label slimmed-down diapers.

After several years of stiff price wars on diapers, chains began to show some resistance against selling them as loss leaders in order to be competitive. However, most margins dipped below 10%.

It's hard to give up the class of female shopper who buys diapers, since she is likely to spend on a wide variety of health care and beauty needs, buyers believe.

Thus, typical pricing produced razor-thin margins.

Fastest moving baby formula
(unit sales)

1	Similac Ready To Feed w/iron 32 oz.
2	Isomil Ready To Feed 32 oz.
3	Similac Ready To Feed 32 oz.
4	Enfamil Ready To Feed w/iron 32 oz.
5	Isomil Concentrate 13 oz.

Highest volume baby formula
(retail dollars)

1	Similac Ready To Feed w/iron 32 oz.

New regimens pump sales in lens care

Lens care remains a lively growth category, as new regimens surface and doctors emphasize compliance.

While sales growth isn't close to the 35% to 40% annual rate that occurred when soft lenses became popular in the late 1970s, the category is still growing 10%-15% at drug stores.

Eye care sales in drug stores reached $100 million in 1986, up from $88.5 million of the previous year, as hydrogen peroxide-based regimens, including Ciba Vision Care's AOSEPT and LENSEPT, CooperVision's MiraSept, Bausch & Lomb's Quick-Sept and Allergan's Oxy-Sept gained shelf space. These, and new aerosol spray salines by such vendors as Allergan, caused extensive remerchandising of shelves.

The heat-free and preservative-free hydrogen peroxide systems promised greater convenience and elimination of the risk of eye reactions.

But Bausch and Lomb's traditional cleaning systems continued to dominate shelf space.

Fastest moving eye/lens care products
(unit sales)

1	B&L Sensitive Eyes Solution
2	Unisol 4 Saline Solution Twinpak
3	Visine Eye Drops 1/2 oz.
4	B&L Sensitive Eyes Solution 8 oz.

Highest volume eye/lens care products
(retail dollars)

1	B&L Sensitive Eyes Solution 12 oz.
2	Allergan Lens Cleaner Tabs 24s
3	B&L Saline Solution 12 oz.
4	AOSEPT Disinfecting Solution
5	Flex Care Disinfecting Solution 12 oz.

Most profitable eye/lens care products
(gross margin dollars)

1	B&L Sensitive Eyes Solution 12 oz.
2	Allergan Lens Cleaner Tabs 24s
3	AOSEPT Disinfecting Solution
4	Flex Care Disinfecting Solution 12 oz.
5	Allergan Lens Cleaner Tabs 48s

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Trade-up and professional sales help stationery grow 10% to $1.4B

Changes in the nation's workplace and stronger merchandising efforts are combining to propel stationery sales at drug stores.

The surge in home offices continues to draw stationery business away from downtown business centers and create opportunities for rural and suburban merchants to sell more office, filing, mailing and organizing products.

In addition, consumers are ready, willing and able to trade up to better quality, higher fashion and longer lasting goods. Stationery is no longer perceived by the broad public as utilitarian. Fashion plays a definite role it hasn't had before.

The trade-up sale and the professional sale translate into higher average tickets in the department and continued replenishment visits. This strong trend, which appears to be long-lasting, has produced two consecutive solid growth years for the department at drug chains.

Following a 13% sales increase in 1985, stationery grew another 10.1% in 1986 to $1.49 billion at drug chains.

Highest volume stationery products
(retail dollars)

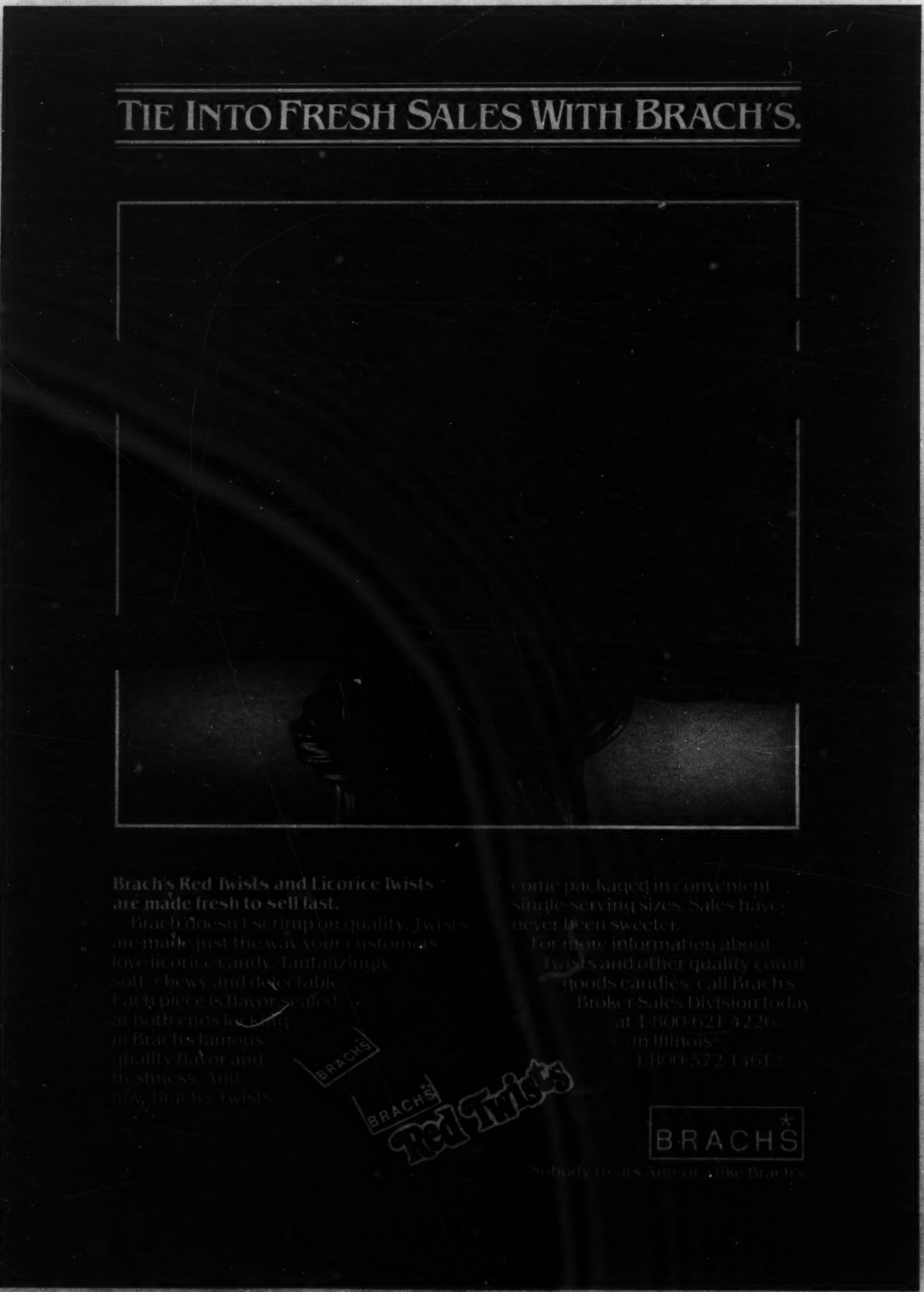
1	Crayola Crayons 24 ct.
2	Bic Mechanical Pencil 5 pk & 2 free
3	Crayola Markers Asst. Colors 8 ct.
4	Crayola Crayons 16 ct.
5	Crayola Crayons Jumbo 8 ct.

Fastest moving stationery products
(unit sales)

1	Crayola Crayons 24 ct.
2	Crayola Crayons 16 ct.
3	Elmers School Glue 4 oz.
4	Scotch Magic Cell Tape 3/4 X 300
5	Scotch Magic Cell Tape 1/2 X 450

Most profitable stationery products
(gross margin dollars)

1	Crayola Crayons 24 ct.
2	Bic Mechanical Pencil 5 pk & 2 free
3	Crayola Markers Asst. Colors 8 ct.
4	Elmers Glue-all 4 oz.
5	Crayola Crayons 16 ct.



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Brach doesn't scrimp on quality. Twists are made just the way your customers love licorice candy. Tantalizingly soft, chewy and delectable. Each piece is flavor sealed at both ends locking in Brach's famous quality flavor and freshness. And now Brach's Twists come packaged in convenient single-serving sizes. Sales have never been sweeter.

For more information about Twists and other quality count goods candies, call Brach's Broker Sales Division today at 1-800-621-4226. (In Illinois 1-800-572-1461.)

BRACHS

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Double-strength antacids pull sales

Double-strength formulas are the darling of the antacid category, in large part because their greater effectiveness provides more relief and makes them more convenient to use.

Indeed, industry research shows that double strengths cater to the heavy repeat purchaser of antacids who is known to be brand loyal. A whopping 80% of the category's volume is generated by less than 10% of antacid users.

While shoppers flock to the double strengths such as Mylanta II and other brands, they haven't been wooed successfully by products bearing calcium or low-sodium claims.

Where calcium is concerned, the claim is seemingly not distinctive enough to draw much attention.

Highest volume antacids
(retail dollars)

1	Mylanta II 12 oz.
2	Mylanta Liquid 12 oz.
3	Maalox Plus Suspension 12 oz.
4	Pepto Bismol Liquid 4 oz.
5	Maalox Suspension 12 oz.

Fastest moving antacids
(unit sales)

1	Mylanta Liquid 12 oz.
2	Mylanta II 12 oz.
3	Maalox Plus Suspension 12 oz.
4	Pepto-Bismol Liquid 4 oz.
5	Pepto-Bismol Liquid 8 oz.

Most profitable antacids
(gross margin dollars)

1	Mylanta II 12 oz.
2	Mylanta Liquid 12 oz.
3	Maalox Plus Suspension 12 oz.
4	Pepto-Bismol Liquid 8 oz.
5	Maalox Suspension 12 oz.

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Ibuprofen, caplets help analgesics category thrive

Despite the tragic Tylenol cyanide tamperings of several years ago, the analgesic category continues to flourish, sparked by the introduction of a new caplet dosage form, an influx of ibuprofen products and renewed interest in aspirin being used as a preventive in repeat heart attacks.

While Tylenol continues to hold its position as the best-selling analgesic product, much credit for the category's continued success in the top 100 OTC/H&BA products over the past few years goes to the popularity of over-the-counter ibuprofen, once available by prescription only.

Since the introduction of products by Whitehall and Bristol-Myers under the brand names of Advil and Nuprin, respectively, the market has been flooded with generic ibuprofen since it went off patent in 1985. The addition of less expensive OTC generic versions of the popular analgesic has prompted retailers to take a harder look at shelf allocations, a condition that could have an adverse effect on slower moving analgesic products. But ibuprofens aren't the only analgesic products vying for valuable retail shelf space. Tylenol, once thought to be a product that couldn't recover from a critical tampering incident, has made a remarkable comeback.

Caplets the right move

While the tampering incidents had an initial devastating effect on the McNeil non-aspirin product, a switch to the popular caplet dosage form that replaced the doomed capsule proved to be the right move. Despite the new ibuprofen entries, Tylenol's most popular sku's still have also commanded a large portion of retailers' analgesic shelf space.

But the fight for shelf space may not just be a two-way split. While non-aspirin products like Tylenol and ibuprofen continue to slug it out, sales of aspirin, once a product thought to be more of an impulse purchase than demand, has had renewed vitality pumped into it since the Bayer Co., manufacturers of Bayer Aspirin, launched an aggressive campaign expounding on the use of aspirin once a day as a possible defense for patients who have recovered from a first heart attack, following FDA approval for certain high-risk individuals.

According to an FDA alert to health care professionals, many people who have survived a heart attack and those who suffer from unstable angina, or heart pain, are appropriate candidates for this new use of aspirin. The FDA's approval for aspirin's new use was based on data submitted by the Bayer Co. The FDA said that aspirin could save as many as 17,000 lives each year.

In clinical studies of men with unstable angina, the use of aspirin resulted in a 55% reduction in the development of heart attacks. In studies of patients who already suffered a heart attack, aspirin therapy resulted in a 21% reduction in the incidence of death and/or recurrent attacks.

Professional labeling of aspirin for other than normal pain symptoms is not something new. Five years ago, the FDA approved aspirin therapy for reducing the risk of recurrent transient ischemic attacks, or strokes, and related events in men.

In other research, apart from its effect on pain control, aspirin has been shown to inhibit the manufacture of prostaglandins, a family of hormone-like substances produced by cells throughout the body. Some prostaglandins can raise or lower blood pressure, cause inflammation and stimulate or prevent blood clotting. Aspirin can block the formation of the prostaglandin that helps cause blood clot formation.

1	Tylenol Ex-Strength Caplets, 50s	Tylenol Ex-Strength Caplets, 50s	Tylenol Ex-Strength Caplets, 50s
2	Advil tablets, 24s	Advil tablets, 50s	Tylenol Ex-Strength Caplets, 100s
3	Tylenol Ex-Strength tabs, 30s	Tylenol Ex-Strength Caplets, 100s	Advil tabs, 50s
4	Advil tablets, 50s	Bayer aspirin tabs, 100s	Bayer aspirin tabs, 100s
5	Tylenol Ex-Strength Caplets, 100s	Advil tabs, 100s	Advil tabs, 100s
6	Bayer aspirin tablets, 100s	Anacin tabs, 100s	Tylenol Ex-Strength Caplets, 175s
7	Bayer aspirin tablets, 50s	Tylenol Ex-Strength tabs, 60s	Anacin tabs, 100s
8	Tylenol drops, 0.5 oz.	Tylenol Ex-Strength tabs, 100s	Tylenol Ex-Strength tabs, 60s
9	Tylenol Ex-Strength Caplets, 24s	Advil tabs, 24s	Tylenol Ex-Strength tabs, 100s
10	Tylenol Ex-Strength tabs, 60s	Tylenol Ex-Strength tabs, 30s	Advil tabs, 24s
11	Tylenol Children's Elixir, 4 oz.	Tylenol Ex-Strength Caplets, 24s	Tylenol Children's Elixir, 4 oz.
12	Tylenol Chewable tabs, 30s	Tylenol Children's Elixir, 4 oz.	Tylenol Ex-Strength Caplets, 24s
13	Anacin tabs, I00s	Tylenol drops, 0.5 oz.	Tylenol Ex-Strength tabs, 30s

Laxative selection tailored to seniors

The laxative department has demanded merchandisers' attention, as sku's proliferate and shopper interest in the bulk-forming segment grows.

Chains have attempted to refine selection in departments that cater to the growing over-50 population bracket, which accounts for most laxative sales.

The stimulant laxatives, such as Fleet, Ex-Lax and Correctol, continue to have a loyal following, particularly, drug merchandisers say, among the most frequent users.

But customer awareness of fiber's dietary importance, and physicians' recommendations about bulk items being more natural stimulants, has created fertile territory for bulk brands, which chains tended to promote regularly.

Bulk item demand

Searle's Metamucil was a promotional favorite, although such fiber products as Rydell Laboratories' Fiberall gained space in chain circulars. Fiberall made an initial impact with its sugar-free makeup—since followed by other brands, including Metamucil.

Vendors of stimulant-type laxatives recovered quickly when the FDA dealt a blow to the category by recalling danthron, a key ingredient in such top-selling laxatives as Hoechst-Roussel's Doxidan. Hoechst-Roussel responded with a May launch of a new version, with phenolphthalein replacing the suspect chemical. Adria also chose to reformulate its Modane, although Riker dropped its Dorbane rather than reformulate.

Vendors' strategies

Vendors used various selling points to gain shelf space for new products. Merrell Dow's Citrucel gained a following by emphasizing its flavor and easy-mixing ability. Lederle Labs' FiberCon came up with a calcium polycarbophil to cater to the dietary wants of shoppers, and Fiberall developed a chewable, lemon-flavored form.

Meanwhile, stimulant-type laxatives generated sales by emphasizing their kinship with the bulk segment. Correctol, for example, was positioned as having the same gentle features as bulk-forming items.

1 Fleet enema, 4.5 oz.
2 Colace caps 100mg, 60s
1 Fleet enema, 4.5 oz.
2 Colace caps 100 mg, 60s

ALERT

AUGUST / SEPTEMBER ISSUE

ISSUE	CLOSING	SPECIAL FEATURES
Aug. 3	July 8	Nail Care Tax Time Nat'l Candy Wholesalers Conv.
Aug. 24	July 29	Automotive/Hardware APAA—Auto Aftermarket Show
Sept. 14	Aug. 18	"Wellness" Throughout the Drug Store NWDA Annual Meeting
Sept. 28	Sept. 2	Drug Store Format Trends Tobacco

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Multi-vitamins nourish dept. sales

While supplements such as calcium and fish oil drew the limelight, drug retailers found that sales of multi-vitamins continued to provide the backbone of their profitable, if slow-growing, vitamin departments.

Chains sold branded multi-vitamins, such as Centrum, Theragran-M and Myadec, at everyday and promotional prices, often grouping varieties of branded multi-vitamins and popular supplements such as C, E and B-complex in a single ad to give shoppers a choice.

Multi-vitamins accounted for 40% of total retail vitamin and supplement sales in 1986, hitting $1.17 billion of total sales in a $2.9 billion market. Some vendors predicted 5%-7% retail sales growth in the near future, led by the non-natural multi-vitamin segment.

Targeted to specific users

But manufacturers such as Warner-Lambert and Rexall had plans to restage their multi-vitamins in an effort to stimulate the category. Retailers said they expected to see products more finely targeted to specific users.

Calcium, a high-flier since the early 1980s, saw slowing sales when a spectrum of products were promoted as calcium-enriched, taking some sales away from the supplement form. Also, reports began to surface that questioned earlier findings citing calcium's value in preventing osteoporosis. The supplement plateaued at $200 million retail sales.

With vendors projecting burgeoning 1987 growth for fish oil, chain drug buyers were pondering the impact of negative publicity that predictably surfaced regarding that product's impact on good health.

Buyers said their oils were moving when promoted, but with consumers shying away from sku's high price points, it seemed unlikely sales will match vendors' estimates, buyers said.

Scientific support expected

Yet manufacturers were predicting that new scientific data supporting fish oil's benefits to health will emerge this year and sales will pick up when professionals become fully educated.

Chains' private label vitamins/supplements continued to grow in importance, as chains put more promotional weight behind them and rethought packaging and pricing. For example, Kinney Drug found it could better its margins on its private label without losing sales by pricing against the brands and giving a standard 25% savings, rather than pricing against competing retailers. It shifted its packaging approach toward similarity with the brands and away from a family look.

Buyers for the most part were cheered by the momentum of their private label items, which are accounting for a larger percentage of category sales and providing 10% better margins. But the stirrings of a backlash among branded vendors were in the air. Marion Labs, the maker of the Os-Cal calcium supplement, for example, planned advertising that will push a message claiming that generic supplements often aren't as efficient, due to a slow dissolution rate.

Highest volume vitamins

(retail sales)

1	Centrum 100 w/30
2	Theragran 100 w/30
3	Os-Cal 500mg 60s

Most profitable vitamins

(gross margin dollars)

1	Centrum 100 w/30
2	Theragran 100 w/30

Fastest moving vitamins

(unit sales)

1	Centrum 100 w/30
2	Theragran-M 100 w/30

Diet aids sales up 21% in drug chains

Americans feel intense pressure to be thin, and many believe over-the-counter diet aids can help them achieve a desired look.

That's good news for drug stores across the nation, which continued to notch healthy gains in the category.

APPETITE C
LOSE WEIGHT FAST
dexatrim

Over the past two years, diet aids sales at drug chains have grown 21%, to $109.7 million, although the sales growth rate did moderate to 6.9% in 1986.

The forms of diet aids have grown more varied of late, creating new space concerns for retailers who don't want to duplicate sku's or carry many brands with modest followings.

All-day caplet added

An established brand such as Dexatrim, which had been in capsule form for years, has recently added an all-day caplet that makes an individual's weight control regimen easier. The user doesn't have to think about it for many hours. The caplet also presumably relieves concern about previous over-the-counter capsule tampering incidents.

While manufacturers create product changes to differentiate their products, retailers are guarding against overly ambitious space expansion.

With some capsules and caplets boasting caffeine-free, extra vitamin C or calcium ingredient claims, the challenge to retailers is a rigorous one. Which do they choose: the newer products to help position their stores as first in the market with new items, or established brands with proven performance?

The question never goes away. Fiber products such as Fiber Full and Fibre Trim captured a significant following among weight loss-bent Americans who feel they can't do it alone. These items have to be taken several times a day, but offer a natural appeal and give a feeling of fullness without the use of controversial chemical ingredients.

Different forms

Powders, bars and liquids continue to play a role in the category, so retailers must show diet aids in many forms.

Some industry sources expect diet aid sales to pick up more at drug stores, as direct-to-consumer brands followings weaken. These brands account for an estimated $500 million annual sales.

Highest volume diet aids

(retail dollars)

1	Fibre Trim tabs, 100s
2	Dexatrim Ex-Strength caps, 20s
3	Dexatrim Ex-Strength caps, 40s

Most profitable diet aids

(gross margin dollars)

1	Fibre Trim tabs, 100s
2	Dexatrim Ex-Strength caps, 20s
3	Dexatrim Ex-Strength caps, 40s

What would you call a new disposable lighter designed to increase your disposable income?

Revco looks for buyers

Continued from page 3

year to help reduce long-term debt, is well ahead of schedule. The company aims to sell all of its assets with the exception of the drug store and Odd Lot divisions, as well as a total of about 100 drug stores, including Carls.

Several of the 11 divisions marked for sale, including Carter-Glogau Laboratories and Private Formulations, have already been sold off, and others, including Crown Store Equipment, Waco Equipment and Barre National, are close to final sale, the cfo stated.

"The demands of the LBO required us to strengthen our financial base and upgrade our cash mobilization resources," Cardace said. "We were supposed to be completed with our divestitures by November of 1988, but at this point it looks like we'll probably be finished by January of '88. We're well ahead of schedule."

Likely candidates

Several drug chains have been cited by retail analysts as likely candidates for the purchase of Carls, including Walgreens, Rite Aid, Fay's Drug Co. and CVS. Walgreens and Rite Aid, however, have denied any interest in the chain for strategic reasons, and both CVS and Fay's are refusing comment.

Said Walgreens spokeswoman Maryellen Kari: "We are aware that Carls is for sale, but the stores, in terms of their size and the area of the country they are located in, do not fit our current expansion plans."

Sheldon "Bud" Fantle, former Peoples Drug Stores chairman now teamed with his son Jeffrey at Fantle & Associates, has also denied interest in the upstate New York chain for similar reasons. Fantle told one local newspaper: "It's a fine company, but the geography didn't fit."

Reports that Revco chairman Sid Dworkin and Carls president Marc Dworkin may also be involved in negotiations for Carls could not be confirmed. Rumors had also arisen that the Dworkins would join with Carls managers in a leveraged buyout of the chain, but one high-level executive with Carls told *Drug Store News* he was unaware of any such move.

The senior Dworkin, who co-founded the nation's largest drug chain, relinquished day-to-day management duties in favor of new ceo Bill Edwards in early April, but remains Revco board chairman. Under terms of the original buyout agreement last fall, Sid and Marc Dworkin and Edwards all have five-year contracts with the company.

One New York-based retail analyst, who asked not to be named, predicted that Revco would have difficulty recouping the high price it paid for Carls. "It's in a market that is not among the best in the country and is not growing, so the most logical thing I see is little packages of store sales or a management-led buyout with the Dworkins' involvement," he said. "I can't see Fay's being able to do this, because they're pretty highly leveraged themselves."

Another possible buyer for Carls may be an upstate New York supermarket chain, such as Wegman's or Topps.

Albertson's

Continued from page 6

chael said the chain is not giving up on the area. In fact, he said, the first version of the combo stores is now due to be remodeled.

The chain also operates 26 24,000 to 73,000-square-feet Grocery Warehouse stores and one 60,000-square-feet Maxx Warehouse Food and Drug discount operation. Michael said Albertson's will "continue to fine-tune the formula" for the Maxx stores before opening any other locations beyond the Boise store.

Overall, the drug/pharmacy business will, however, be an area for growth, Michael said, as the chain looks to bring its 167 pharmacies to full computerization within the next few years. "We will continue to develop the pharmacy program to make us more competitive. We think pharmacies are important to make us complete," Michael explained.

Chain returns to core mix

Continued from page 3

man, switched to the low-end merchandise. However, what followed was nothing short of a public outcry, prompting Pay 'n Save to rethink its strategy.

"We are reformatting ourselves into what we are—and that's a drug store," senior vp-marketing Elmer DiFilippo told *Drug Store News*.

Changes in progress

Changes under way include the cutback of imports and expansion of drug store products, with extra footage going toward H&BA, OTC, cosmetics, greeting cards, candy and stationery.

"We've added back the sku's" that had been downplayed, said DiFilippo. Gerald Nathanson, chairman, president and ceo, said imports took up about 15% of the chain's selling space, and "millions of dollars" worth of that merchandise has now been sold to Pic 'n' Save. Some imported candles and stationery will remain, but low-end giftware and kitchen gadgets are gone, DiFilippo said.

Because Pay 'n Save kept the gondolas it pulled when it originally put in the import tables, the capital investment required for the current reformatting is minimal. It is "not requiring a great deal of money," but rather muscle, DiFilippo said, adding that internally generated cash is funding the reformat.

Once the entire reformatting project is complete, the chain will begin advertising the change to its customers, but not until that time, said DiFilippo. "We don't want to promise any more than what we can do," he noted.

Without detailing the new advertising strategy, Nathanson said it will be "more sophisticated and tougher."

Longs Drug leaving Phoenix market

Continued from page 3

nation's fastest growing and competitive retail markets.

However, Longs president Bob Long told shareholders at the annual meeting last month that the 225-store chain's growth emphasis this year will be in California and Colorado.

Longs is buying 11 Osco stores in California, and one in Colorado Springs, Colo. (making four stores there, and six in the state). The California units—former Sav-ons—are in Bakersfield (four), Campbell (one), south San Francisco (one), Cupertino (one), San Jose (two) and Santa Clara (two), and raises the roster of Longs' California units to 185.

"This allows us to focus in markets where we are very well-known," said Bill Combs, vp-administration and treasurer.

Market observers told *Drug Store News* it seemed to them that Longs wasn't large enough to obtain the best economies on such costs as advertising in Phoenix.

Longs had been supplying the stores by direct vendor shipments and through jobbers. Osco services its Phoenix units from an Anaheim, Calif., warehouse.

Bob Braden, vp-advertising at Osco, said that the sale places Osco "virtually out" of northern California.

"(The Phoenix buy) allows us to get good market coverage," said Braden. Osco will move from having 20 units in Phoenix and five in Tucson to 30 in Phoenix and 10 in Tucson.

The deal "afforded both companies some excellent opportunities to fill out some important markets," Braden said.

A source said that Osco paid a cash amount in acquiring the Longs stores.

Longs had entered the market with a bang in 1983 by undercutting everyone on price, before prices leveled off. The chains today work on 2% to 8% margins on the top 150 H&BA items, averaging 18% to 20% on other front-of-the-store merchandise, a source said.

One local wholesaler said the Longs units seemed top-notch in appearance and were competitive.

With comparable size stores in the 22,000- to 25,000-square-foot range and a similar mix of merchandise, the Longs units won't require extensive merchandise overhauls. But Osco has been put to work hiring, since Longs has taken many employees with them.

Pay 'n Save to open units

Continued from page 3

arrangements. These deals, along with the pullout from weaker markets such as Montana and Wyoming, are helping to fund Pay 'n Save's growth.

In its attempt to become the store of choice in its markets, Pay 'n Save will target "health items, cosmetics and toiletries as the core of our business. . . . To complement these areas, we will then focus on our 'power' departments, such as stationery, household chemicals, greeting cards, candy and snacks," Nathanson said.

In addition, Pay 'n Save will begin to use an updated pharmacy computer system, which will save pharamacists time and allow for telephone solicitations.

Moreover, the chain intends to price more competitively, use private label extensively and add new in-store signage. Although the chain has eliminated much of its import merchandise, some products will remain, said Nathanson. The excessive merchandise Pay 'n Save had has been sold to Pic 'n' Save. Lawsuits by Pic 'n' Save against Pay 'n Save, its officers/directors and Drexel Burnham Lambert—stemming from the import program introduced by the drug chain last year—have been dismissed, both chains said.

As much of the import merchandise is phased out, some new categories have been introduced, including jewelry, family hosiery, foundations, travel-size H&BA products and a video rental program, Nathanson said.

Although the company is looking positively at its future, the chain acknowledged its recently released poor second-quarter results. Sales at Pay 'n Save fell to $106 million in the quarter, compared with $113 million in the same period the previous year. However, part of the drop was due to the closing of the five Montana and Wyoming stores in February, Nathanson noted. For the first six months of the fiscal year, Pay 'n Save sales of $240 million showed a drop over the previous year's level of $255 million.

Bi-Mart's performance

Bi-Mart—the corporation's Eugene, Ore.-based discount operation purchased last year—had sales of $51.6 million in the second quarter and $117 million in the first six months of the fiscal year. (Because the company did not own Bi-Mart in the same periods in fiscal 1986, there are no comparable sales figures.) Bi-Mart currently operates 34 stores.

Second-quarter net loss for the entire operation was $8.64 million, compared with a loss of $8.90 million in 1986. For the first six months, the company lost $8.36 million, compared with a loss of $10.8 million in the previous year.

Nathanson said the second quarter should be the worst quarter of 1987. He declined to project how the company would end its fiscal year in November. He did note, however, that the company is "optimistic that both sales and profits will rebound accordingly."

Brooks' plans are unclear

Continued from page 3

ters to build traffic.

Front-end scanning and pharmacy computers were slated for partial rollouts to help the chain manage inventory better and operate more efficiently.

Tied to that was Sudhaus's extensive recruitment from CVS, a competing chain well-regarded for its data systems and operations. Executive vp-marketing John Jennings, executive vp-store operations Gary Mercer and vp-merchandising Richard Morrissey are among managers who have brought CVS disciplines to Brooks.

Wanted better real estate

Brooks was also gearing up to move into more prime real estate sites. Noting that 70% of the chain's sites are in small- to medium-sized towns, and less than 10% are owned, Sudhaus sought to assume an aggressive real estate posture "even if we have to become a landlord to get it." He continued to feel strongly that "bantams can survive in less populated areas that are slightly out of the way."

A source familiar with the company told *Drug Store News* that Brooks typically pays less than $4 per square foot rent, and its leases have good renewable options.

Under Sudhaus, Brooks closed 10% of its stores—among weaker units—as it contracted from 417 stores to 375 currently. The chain's plan was to leave weak markets and concentrate on areas where it had a presence.

May be some changes

In moving from Sudhaus, who became at age 38 one of the retail drug industry's youngest presidents, to Folz, an experienced vendor to the drug trade, Brooks may be headed for changes, market sources felt.

Some believe it sets the stage for the second attempt by MacAndrews in two years to sell the chain. The speculation is that Ronald Perelman sought Sudhaus for this eventual energy field opportunity and placed him at Brooks "to keep him in the MacAndrews stable" and oust the Salmanson family in 1985.

Today, they say, improved chain performance and the value of Brooks leases might make it a more attractive candidate for sale. Since Folz is an outspoken, high-profile executive known to many in the trade, he makes a more suitable pitchman than Sudhaus, who never sought to become a public figure in the retail drug field, they believe.

On the other side is the feeling that Sudhaus set the wheels of positive change in motion and is now free to take on fresh challenges within MacAndrews.

FOOD
MERCHANDISING

FOR NON-FOOD RETAILERS

Summer, 1987

Household products: The four highest tonnage non-edible grocery categories & how nonfood chains have come to appreciate them

Nonfood chains get "trendy: with beverages. Juices and bottled waters now round-out soft drink sections.

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PLANNING TEAM

On the Trail of Incremental Sales: Grocery manufacturers & nonfood retailers "partner" in building new opportunities

LIME JUICE
ROSE'S LIME JUICE
$2.16
RICE A RONI

Special Report

Membership Clubs: $8 billion industry should triple in sales by 1990

How membership clubs use groceries to generate case lot turns and bottom line profits

Food for Thought 5
Meet the new kid in town: Membership Clubs

News Basket 7
How K mart uses groceries to hype holiday traffic

Sami: Category seasonality report 9
The foods and nonfoods to promote this spring

Partners in Profits: Grocery Manufacturers & Non Food Retailers 11
Today's new partners are working together to generate incremental sales while protecting and expanding market shares

Membership Warehouse Clubs: Retail's Most Formidable Competitor 17
Sales for this new retail segment were up 82% last year to $8.2 billion. By 1990, analysts estimate there will be over 600 membership clubs with sales in excess of $21 billion

Beverages in Non Food Stores 23
Mix today includes juice, bottled waters and asceptic packs as well as soft drinks. The goal: build traffic and enhance profits

Household products & cleansers 27
How nonfood chains are turning to the highest tonnage nonedible groceries to lure price conscious, convenience minded shoppers

K mart Uses Groceries To Hype Holiday Traffic

Grocery products lend themselves brilliantly to seasonal promotions. Buyers and merchandisers who are planning Thanksgiving promotions now should take a look at K mart's 1986 Thanksgiving circular.

Dry grocery items accounted for 83% of the 12 items on the circular's front page.

Most dominant were an aluminum foil, K mart's own store brand, Ocean Spray cranberry sauce, Libby's pumpkin pie mix, Stove Top stuffing mix and three packages of chocolate bits: Reese's peanut butter cups and Hershey's milk chocolate chips and semi-sweet chocolate chips.

Also on the page were Eagle Snacks Honey Roasted Peanuts, K mart's own paper towels as well as a variety of 20 and 30 gal. trash bags.

Inside the circular, K mart did a spread on clip and save coupons which featured a number of other grocery products including cookies, smoked oysters, egg noodles, candies, plastic tumblers, liquid all-purpose cleaners, laundry detergents and light bulbs.

Managers said their sell throughs on the featured items were "excellent."

The Foods Shoppers Buy The Most

Here's a puzzler for you. The answers are milk and bread. Now what was the question?

Did you say "what are the two most frequently purchased categories in a grocery store"?

Well if you did say that, then you get the brass ring because, according to the latest Point of Purchase Advertising Institute Food Store Shopper Buying Habits study, that is what shoppers do buy most frequently when browsing for groceries.

In the fall of 1986, POPAI did a full scale shopper purchase habit study in 20 markets across the country. Their researchers recorded over 65,000 purchases made by a total of 4,000 food shoppers.

The Food Categories Bought Most Frequently

% of purchases per every 100 shoppers

Milk	**33%**	**Refrigerated orange juice**	**8%**
Packaged bread	**25**	**Ice cream**	**6**
Eggs	**14**	**Bacon**	**6**
Chicken	**12**	**Potato chips**	**6**
Crackers	**11**	**Concentrated orange juice**	**5**
Cookies	**10**	**Hotdogs**	**5**
Ground beef	**10**	**Corn chips**	**3**
Packaged luncheon meats	**8**	**Snack nuts**	**3**

Source: POPAI 1986 Consumer Buying Habits Study

In their preliminary analysis of that data, POPAI found that for every 100 shoppers interviewed during a typical shopping trip, 33 purchased milk, 25 purchased packaged bread, and 14 bought eggs.

Eleven out of every 100 bought crackers, 10 bought cookies, eight bought refrigerated orange juice and packaged luncheon meat.

Six bought ice cream, bacon and potato chips; 5 bought concentrated orange juice and hotdogs, and 3 bought corn chips and snack nuts.

With the exception of chicken and ground beef, which were also mentioned as frequent purchasers, each of the categories cited are normally found today in most chain drug stores while the dry groceries cited are also found in almost every discount and mass merchandise store.

Says Eckerd food buyer Peter Agostinio: "These categories for us are 'opportunistic' additions to our everyday mix. They help us build traffic and they increase the frequency or repeat visits to our stores."

Glad's Million Dollar "Mystery" Promotion

The Glad food storage and trash bag line will be featured this summer in a new movie being released by Dino DeLaurentis Productions.

The movie, called a Million Dollar Mystery, co-stars Glad spokesman Tom Bosley as a man who knows the whereabouts of some $4 million in hidden booty.

Throughout the course of the movie, various actors find the bulk of the hidden treasure, but at the end of the movie some one million is left unaccounted for.

In an unusual prologue, Bosley reappears on screen after the movie ends and gives the audience tips on how they can find the missing million.

He tells them to look for clues in packages of Glad products. Consumers who successfully interpret the clues to guess the hiding place of the money will be eligible to compete in a Glad sweepstakes. The grand prize is the mystery million.

Drug, discount and food stores are backing the promotion by allotting endcaps and other instore display vehicles to the Glad line for the late June/ early July period when the contest should be at its peak. The sweepstakes drawing is in late July.

Best Selling Categories of Spring

The chart below lists the best selling categories in food stores for the months of March, April and May.

The rankings are based on a special Sami study tracking seasonality growth trends by category. The categories that made the list had a base index of at least 110 for the three years ended in May 1986.

Knowing the index makes it easier for food, snack and household supply buyers in drug and mass merchandise stores to identify the categories that will turn the fastest for a planned seasonal promotion.

FOODS AND GROCERIES: BEST SELLERS OF SPRING

(Averaging three year index ranking)

March

Foods	Index ranking
Packaged candy non-chocolates	256
Packaged jellies	181
Packaged solid chocolate pieces	161
Tartar sauce	146
Diet desserts	144
Canned salmon	139
Fruit rolls & bars	139
Packaged other chocolates	133
Dried prunes	127
Diet canned fruit	125
Packaged novelties	121
Dry topping mixes	120
Diet canned vegetables	120
Canned apricots	119
Ready-to-spread frosting	118
Canned peaches	118
Chocolate covered creams	117
Diet jams, jellies spreads	117
Canned pears	117
Honey	116
Dry toasted items	116
Canned spinach	116
Canned beets	115
Cereal meal bars	114
Gelatin desserts	114
Diet salad dressings	114
Canned pineapple	114
Pizza products	114
Dessert baking mix	114
Nonfoods	
Car Care Products	125
Bath additives	110

April

Foods	Index ranking
Soft drink mixes	191
Iced tea mixes	158
Instant tea	146
Barbecue sauce	144
Freezer bars	143
Diet desserts	130
Fruit rolls & bars	124
Canned pears	121
Dry topping mixes	119
Canned peaches	118
Canned pineapple	118
Diet canned fruit	117
Diet salad dressings	117
Canned fruit cocktail	116
Dried prunes	116
Canned beets	116
Diet canned vegetables	115
Canned apricots	115
Frosting mix double layer	113
Bubble gum	113
Canned hams/meats	113
Relishes	113
Canned spinach	113
Diet jams, jellies spreads	112
Prepared mustard	111
Grape juice	111
Ready-to-spread frostings	110
Hard candies	110
Gelatin desserts	110
Nonfoods	
Insecticides	226
Insect repellents	223
Car care products	155
Charcoal lighters	152
Charcoal	134

May

Foods	Index ranking
Freezer bars	234
Barbecue sauce	189
Relishes	170
Fruit pectin	169
Iced tea mix	162
Instant tea	161
Canned salads	157
Pork & beans	146
Soft drink mix	146
Meat sauce	130
Mustard	126
Diet salad dressings	124
Pickles	123
Pourable salad dressings	123
Potato chips & salty snacks	123
Catsup	121
Diet canned fruits	120
Spoonable salad dressings	119
Meat tenderizers	119
Diet soft drinks	117
Dry topping mix	116
Bubble gum	116
Juice/juice concentrates	116
Reg. soft drinks	116
Diet desserts	115
Single strength juice drinks	114
Fruit rolls & bars	114
Mayonnaise	113
Nonfoods	
Charcoal lighters	213
Charcoal	212
Insect repellents	205
Insecticides	168
Car care products	150
Paper & plastic plates	140
Plastic flatware	137
Paper/plastic cups	122
Motor oil & car additives	116
Window cleaners	115
Paper napkins	110

Source: SAMI Seasonality Study

Membership Warehouse Club Sales Soaring

Sales for the 228 universe of Membership Clubs jumped 82% to $8 billion in 1986. Edible & nonedible groceries accounted for about 45% of total sales.

Warehouse Clubs, which are competing with drug and discount store chains on grocery retailing, as well as on such traditional categories of merchandising as HBA, sundries, low and high ticket electronics, and apparel, are continuing to show dramatic gains both in store counts and dollar sales.

According to the latest survey done by *Discount Store News*, FM's sister publication, sales for Membership Warehouse Clubs hit $8.2 billion in 1986, up an amazing 82% over 1985.

The total number of units in existence hit an estimated 228 in 1986, up 66% over the prior year.

For 1987, *Discount Store News* is estimating that dollar sales for all Membership Clubs will hit $11.6 million, which will represent an increase of 41% over the prior year.

Stores will climb on estimated 43% to 325 units, *DSN* is estimating.

Membership Clubs: The customer base and the mix

Membership Warehouse Clubs serve a relatively unique mix in the retail marketplace. A hybrid that is half wholesale/half retail, the typical mix of a warehouse club includes edible and nonedible groceries, health and beauty aids, apparel and other softwear, and a variety of hard line items ranging from televisions and stereos through tires and such gadgets as electronic garage door openers.

The customer base is predominately small businesses with off-the-street customers usually making up about 30% of a typical wholesale club's customer mix.

Margins average about 10%

Sometimes, however, the customer mix can be more in the vicinity of 50% to 50%, half small businesses buying on a cash and carry basis and half individual man/woman in the street type consumers buying by the case load on low- to mid-ticket items and in singles on high ticket items like televisions.

Many warehouse clubs carry large assortments of refrigerated and frozen foods. The mix is on large sizes of the highest consumption categories.

Membership Warehouse Clubs: Sales and Unit Growth

(1983 through 1990)

	Sales (billions)	Units
1983	$1.0	36
1984	2.4	79
1985	4.5	137
1986	8.2E	228E
1987	11.6P	325P
1988	14.2P	400P
1989	17.8P	505P
1990	21.0P	600P

E means estimated. P means Projected
Source: *Discount Store News* Research

Markups in a typical Warehouse Club are typically low to generate turns. Most Clubs say they charge wholesale prices plus a small markup of approximately 5%. Profit margins generally average about 10% overall.

Most Clubs also charge members a fee to join as well as an annual fee to remain a member. Most Clubs also usually insist on cash payments rather than checks or credit cards.

Who's Who in Membership Clubs

The leading chain in the segment is still Price Company, whose founder Sol Price opened the first Membership Club in San Diego, Calif., back in 1976. In 1986, Price Club generated approximately $2.8 billion in sales from a universe of just 27 stores.

Second place goes to Sam Walton, the founder of Wal-Mart. Walton's four year old chain of Sam's Wholesale Clubs now numbers over 49 stores, responsible for an estimated $1.6 billion in 1986.

Costco, Seattle, Wash., is third with 1986 sales of $900 million while fourth and fifth place go to PACE, Denver, Colo., with sales of $600 million in 1986, and Super Saver,

Price sells food in the warehouse club industry. The average purchase is in case lots , and the average sale is often over $100.

Who's Who in Membership Warehouse Clubs
(Ten top chains by dollar volume: millions)

Chain/Company	HQ	1986 sales	% chng vs '85	Total Units	% chng vs '85
1. Price Club (Price Company)	San Diego, Ca.	$2.800	56%	27	13%
2. Sam's Wholesale Club (Wal Mart)	Bentonville, Ark.	1.600	106	49	113
3. Costco	Seattle, Wash.	900	146	37	118
4. PACE	Denver, Colo.	600	60	25	56
5. Super Saver	Shreveport, La.	400	34	20	122
6. B.J.'s Wholesale Club (Zayre Corp.)	Boston, Mass.	350	75	15	36
7. Makro	Cincinnati, Oh.	290	21	4	0
8. Price Savers (Kroger)	Cincinnati, Oh.	200	33	6	20
9. Warehouse Club	Skokie, Ill.	185	108	14	100
10. The Wholesale Club	Indianapolis, Ind.	140	46	11	120

Source: *Discount Store News* Survey

Shreveport, La., with sales of $400 million in 1986.

B.J.'s Wholesale Club, a division of Zayre, Boston, was in sixth place in 1986 with sales of $350 million a year, and Makro, Cincinnati was seventh with sales of $290 million.

Altogether the 10 leading Wholesale Club chains in 1986 accounted for about 64% of all Membership Club dollar sales. In 1986, these 10 chains generated an estimated total of $7.5 billion, all off a universe of just 228 stores.

Sales will hit $20 billion by 1990

Most Membership Club executives and most analysts who follow the segment believe the total dollar sales will reach $20 billion by 1990.

Some sources, such as Walter Teninga, President of the $185 million Warehouse Club chain in Skokie, Ill., think that the estimate of $20 billion in annual industry sales by 1990 is even too "conservative."

Fred Windsor, a retail analyst with Alex. Brown & Sons, Baltimore, says that while it is impossible to predict how many Warehouse Clubs the country can ultimately absorb, he does believe that "expansion in this segment will be swift."

Windsor agrees with other analysts that the store universe will probably hit 600 to 700 by 1990.

"There is room in every major city for a number of Membership Warehouse Clubs," says Joseph Nusim, chairman of the Makro Self Service Wholesaler Club based in Cincinnati. Makro, with its four stores, is the seventh highest volume chain in the segment.

"We, as an industry," he says, "have only begun scratching the surface."

What makes Membership Clubs work

The secret to a Membership Club's success, sources say, is the ability to turn a limited inventory of between 3,000 to 3,500 sku's anywhere between 12 and 20 times a year.

The industry's most successful chain, Price Club, boasts turns of between 18 and 25 a year on a mix of about 3,500 sku's.

Like Price Club which generates about 60% of its sales through wholesale customers, the more successful chains are concentrating on targeting their customers mix to small businesses doing a high tonnage cash and carry business rather than to individual consumers doing a cherry picking "stock up" business.

60% to 70% of customers are small businesses

Jeffrey H. Brotman, chairman of Costco, the industry's third highest volume chain, says that 70% of Costco's sales are now generated by wholesale purchases.

"Maybe we're wrong," says Brotman, "but we think we can do a better business by keeping out the casual customer, and by concentrating on a smaller group of more loyal customers instead."

"At one time, we were only generating about 40% of our sales through wholesaler purchases," says John Geisse, chairman of the Wholesale Club in Indianapolis.

"Today, our wholesale business is up to 69% of our sales, and we're working very hard to keep increasing that share."

Membership Clubs Push Groceries

Best sellers are case lots, shrink wrapped packages, large sizes and anything consumable that offers the customer a "value"

Grocery product sales in wholesale clubs are booming.

Both retailers and manufacturers report that sales of snacks, pet foods, dry and packaged groceries, beverages and grocery household items are growing like "crazy" in the $8 billion dollar Membership Warehouse Club industry.

The majority of the business is being done, say sources, in large size packs or in shrink wraps that are generally merchandised off massive in-store bulk displays.

The selection in a membership club is seldom extensive, but the displays are huge and some categories like snacks get an average of 32 running feet plus extensive exposure on pallets and end caps.

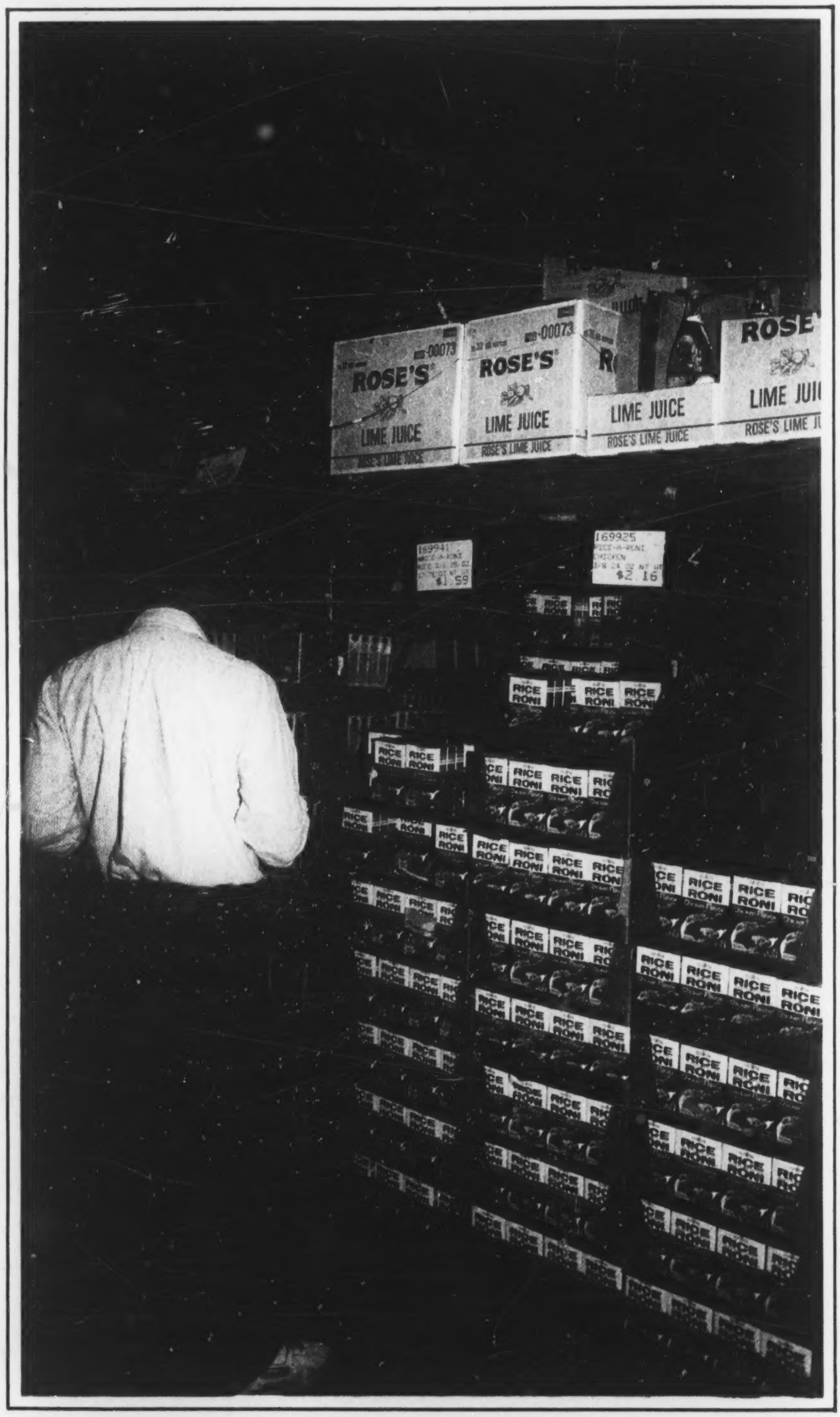
Generally Membership Club stores will only stock grocery items they've acquired at the lowest possible acquisition cost, and when they display these items, they're at the lowest possible competitive price.

Customers like to buy in huge quantities

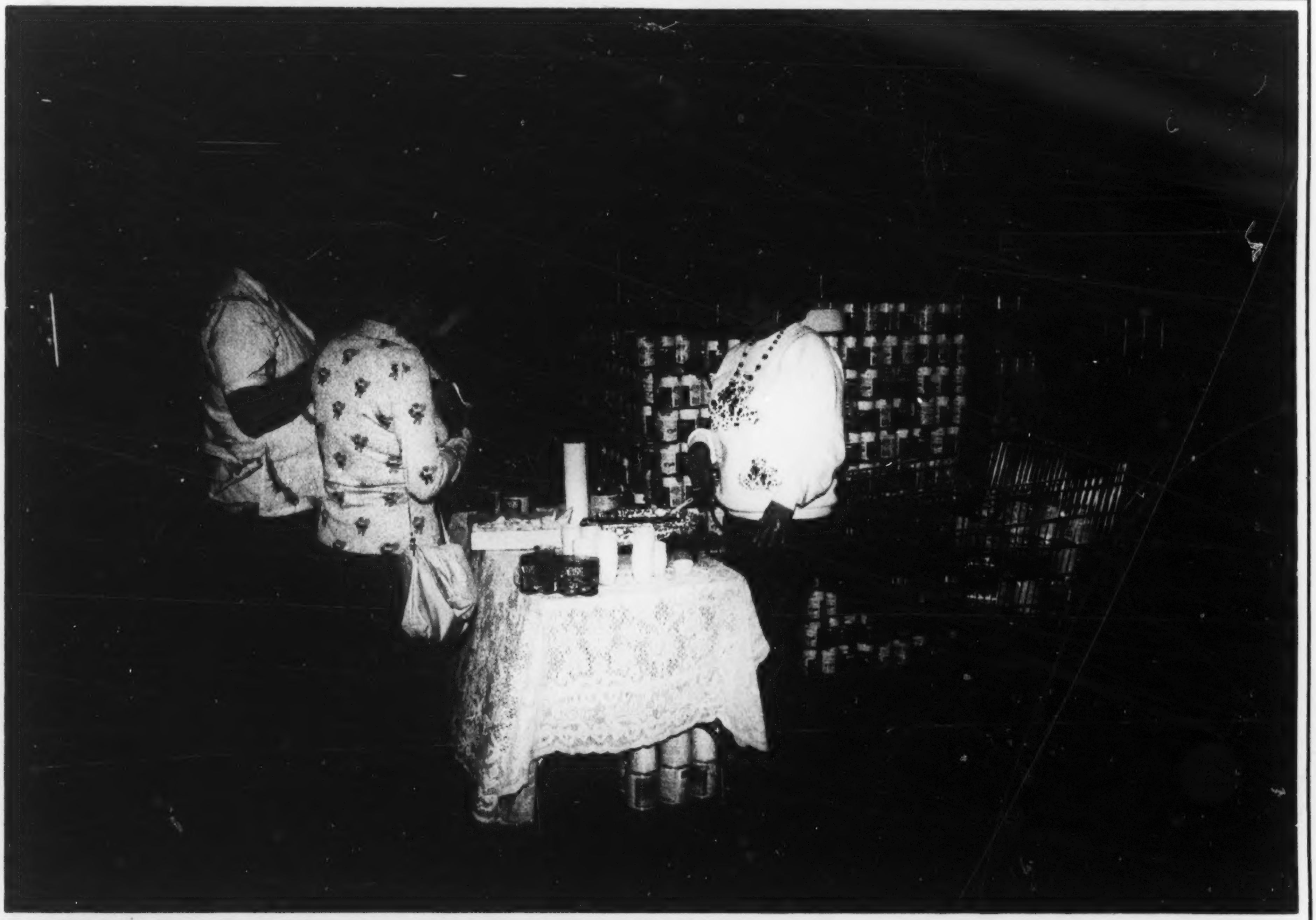
"When a customer in a Membership Club store buys a snack or a grocery item," says Wrigley's Ron Cox, "they're usually buying full box quantities. That means the sale is usually a high ticket and it usually amounts to someone buying 12 packages at once or 20 or 24 depending on how many items are packed to a case."

"The Membership Warehouse Clubs," says Chris Abernathy, VP of Marketing for Borden's, "are places where people are buying commodities. They are not taking that much business from the traditional food stores, but they may be taking it from the mass merchandiser who tries to compete with the food stores on price.

"If someone is price conscious, there is no better place to buy a grocery item, but these stores are not that convenient yet, and they are more accessible to the small business person than they are to the average consumer so the bulk of their



About half the customers who buy food in a warehouse club are off-the-street consumers while the rest are small business buying in case lots to replenish their own stockrooms.



Some warehouse chains are trying to use their food departments to give customers "extra value." Trial generating strategies are popular.

impact right now seems to be on the smaller wholesalers and rack jobbers."

Most wholesale clubs locate their grocery type products toward the front of the store, in departments that are either close to or adjacent to the checkouts.

Bulk of sales are to small businesses

Between 55% and 66% of all their grocery product sales, sources estimate, are to local, small retail businessmen in their neighborhoods.

One such customer says that he prefers to shop the Membership Clubs whenever possible because on select items they can give him a better discount than he can get from his own traditional suppliers.

"They buy on deal," he says, "and in such massive quantities, that they can give me a better price than my own wholesaler who doesn't always take full advantage of the manufacturers discounts for volume purchases."

"The wholesale clubs are not hurting the traditional food retailers," says one rack jobber who competes with a Price Club in San Diego. "They're hurting guys like me. I can't afford to buy hundreds of thousands of dollars of packaged groceries on deal as they can. Consequently I can't offer my customers their low margins. The people who buy from them are my customers out looking for bargains that I can't offer."

Manufacturers court the Membership chains

Most grocery manufacturers are very conscious of the growth potential of this market and most say they are aggressively pursuing this marketplace, primarily by adjusting their marketing programs to accommodate the needs of the Membership Club operators.

At the end of 1986, total sales in the wholesale club industry were about $8 billion, up from about $2 billion in 1984. Industry sources estimate that there were about 200 stores that could be classified as Membership Warehouse Clubs in the country in 1986 with their numbers expected to exceed 325 by the end of 1987.

Discount Store News, *FM*'s sister publication, is predicting that total industry sales will hit $20 billion by the end of 1990.

With the industry going through such explosive growth, many grocery manufacturers like Borden's, Nabisco, General Mills, etc., either are already customizing marketing programs specifically for this marketplace, or they are thinking of doing so.

Chris Abernathy at Borden's says his company is considering producing a 2-lb. bag of chips for the Membership Clubs plus they're willing to shrink wrap existing package sizes.

"We did the same thing for the mass merchandise stores when we created the Ranch Fries line," he said, "and when we created a canister package for Ranch Fries. The canister sells best in the mass merchandise stores because their shopper tends to buy the bigger sizes."

At Eagle Snacks, VP of Marketing Tim Fleming says his company is not doing any special packaging yet but is "thinking of it. They're pressuring us for shrink wrapped packages and they want to carry our largest sizes."

At Nabisco, Don Marler who is in

charge of all sales into nonfood outlets, says his company is shrink wrapping products for wholesale clubs on request.

Marler says the wholesale clubs are especially hungry for fast moving items that can be shrink wrapped to yield a higher average ticket.

"Ritz crackers, Planter's Peanuts, the Wheat Thin crackers, these are the types of things they're most interested in. They're interested in one set price where they know that if they buy a specific quantity, they can have that price on a constant basis, and not just monthly or for that quarter."

Controlling product freshness still a problem

A few manufacturers, however, who have to worry about the freshness of their product are still shying away from the Membership Club market. One source for Whitman's chocolates said their management was concerned about "maintaining the quality of our products in this market.

"There are so many small retailers involved who are their customers," he said, "that it's difficult for us to control the distribution of our products so we've elected not to distribute there yet. But there is no doubt that it is a dynamic market with a great potential for additional sales growth."

"Food and other grocery product sales in wholesale clubs," says Jim Marx, a salesman with the Pankow broker agency in Chicago, "are growing at the rate of 25% a year and better.

"I think they'll continue to grow this fast for a number of years, primarily because the consumer today is so price conscious."

A few chains play down the role of groceries in their Membership stores, reasoning as California's Save Club's president Victor Barkhordian puts it that watching customers carry doughnuts, cheese and milk to the register can really "cool off the customers making a $250 purchase."

However, according to *FM*'s research, grocery products, including pet foods, beverages and household chemicals and paper goods, currently account for about 45% of all Membership Club purchases. Some chains like Makro in Cincinnati do better than 55% of their total business in grocery sales.

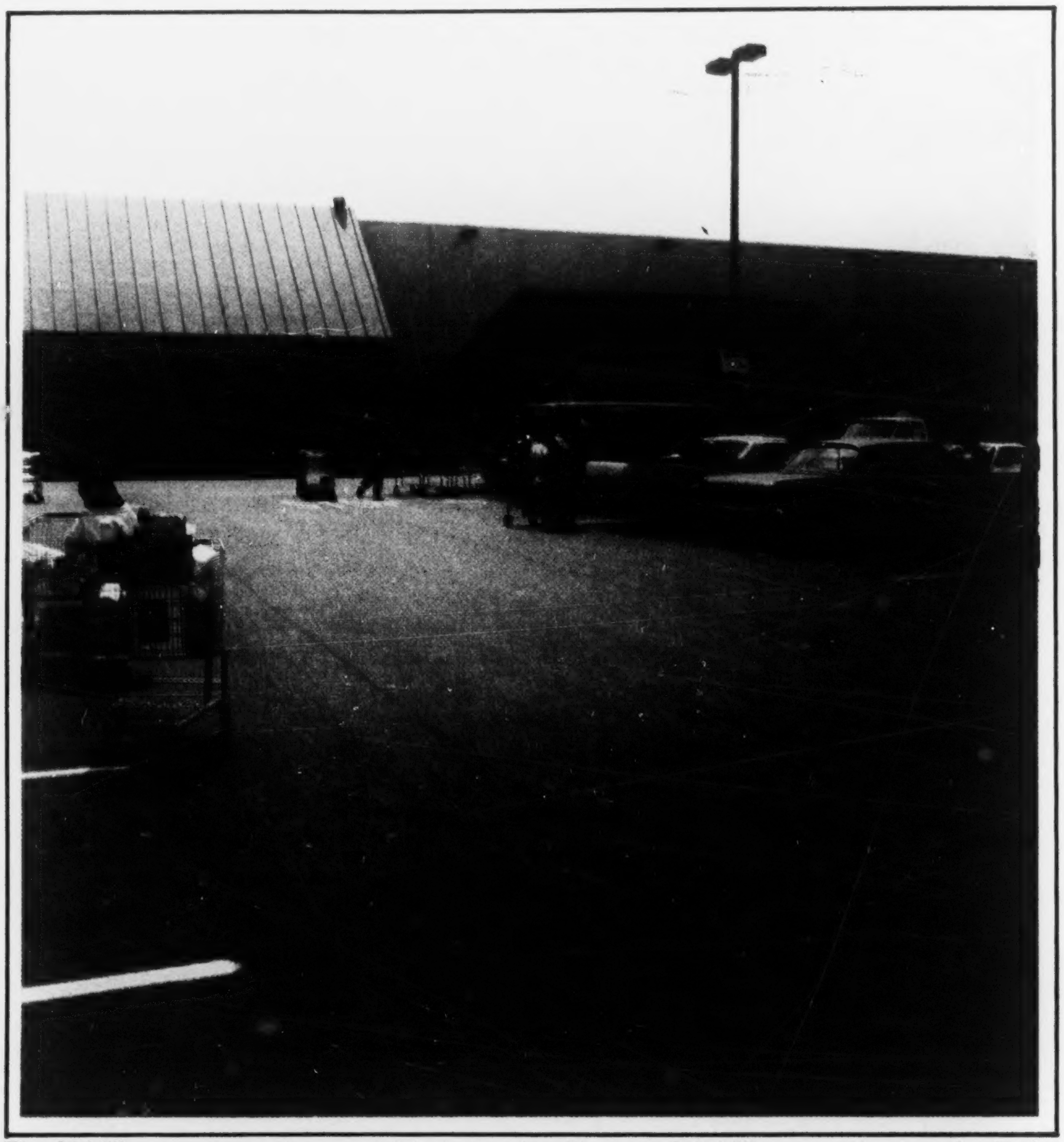
"Food is an opportunity area for us," says Makro's chairman Joseph Nusim, "because it brings the nonfood customer into our stores."

Jeffrey Zisk, President of American Wholesale Clubs in Plano, Tex., says food is very important to the Memberhip Club concept.

"It keeps customers coming through your door," Zisk says, "and it keeps your inventory turning."

Some Membership Club retailers claim they can turn groceries as many as 30 times a year and Zisk credits groceries for the fact that his customers shop his stores about every 14 days.

Groceries, he said, is a key strategy for generating repeat business.



The $8 billion a year warehouse club industry should soar to $20 billion a year in annual sales by 1990, industry sources estimate.

Grocery Sales Trends in Membership Warehouse Club Stores
(retail sales millions)

Category segment	1982	1985	1986	1987 est
Packaged Groceries (excludes snacks)	$122	$1.526	$2.802	$4.203
Packaged Alcohol	13	174	327	490
Paper Goods	11	153	288	444
Soaps/Household cleaners	12	157	296	449
Pet Foods	6	81	154	239
Total Sales	164	2.090	3.867	5.825

Source: Malcolm Knapp Associates, New York

Non Food Chains Court Traffic With Household Products

Drug/Discount stores give more space & more features to high tonnage household cleaners & related products

Drug and discount stores are promoting and displaying household products much more frequently today. Buyers say their customers consider such promotions time and money savers.

Retail sales in the household cleaning category increased approximately 7% in 1986 to a $9.9 billion dollar category, according to the Charles H. Kline Company in Fairfield, N.J.

Food stores, which account for approximately 70% to 75% of total household cleaning product sales, generated moderate sales growth of about 3% to 4%.

The more dramatic growth in the category came from increased promotional and everyday sales in nonfood outlets such as drug stores, discount stores and membership wholesale club outlets.

Many nonfood retailers report that their sales of household cleaners were up between 10% and 12% in 1986, and some chains like Wal-Mart, Walgreen's, Eckerd, Gold Circle, etc., generated even stronger growth, according to buyers and store managers.

Household products: "viable growth opportunity"

Dave Peterson, Exec VP of Merchandising for Perry Drug stores, describes the household chemicals and laundry detergent category as a "very viable growth category with the potential to do even better for us."

Like many drug chains, Perry is considering giving the category expanded space.

"We often use household chemicals as a draw or a traffic builder," says Peterson, "and it's always easier to promote from within an expanded basic department.

"We often promote chemicals and detergents in our flyers," says People's VP of Advertising Joe Pollard. "They're a big drawing item and they're reasonably profitable."

Discount Stores pioneered the household products segment

Most drug retailers will admit that they are following in the footsteps of the mass merchandise chains like Wal-Mart, K mart, Target and Gold Circle, etc., who began increasing their promotional and everyday emphasis on chemicals and household products in the late 70's and early 80's.

Growth in Household Cleaner Sales

Years	Dollar Volume (Billions)	% change
1985	$9.3	5.8%
1986	$9.9	6.8

Source: Charles H. Kline & Co.

"They were doing it way before we were," says one drug chain executive for a company based in the Midwest. "At certain times of the year, you can look at a K mart flyer or a Gold Circle flyer and see a whole page devoted to household grocery products, especially the chemicals, detergents, paper products, plastic and aluminum wraps and food storage and trash bags.

"Part of the draw is in the brand names. Consumers will recognize a name like Tide or Bounty or Glad and if you give them a good discount on the everyday price, you can certainly build great traffic.

"But the other important thing

Drug and discount stores are expanding their household product sections. Their main goal: to give consumers more "value."

about these nonedible grocery categories is that they're profitable, even on promotion. Even when I'm promoting a brand like Tide or Glad, I'm usually able to take a 20% or better gross margin.

"If I were promoting toothpaste or shampoo, in contrast, I'd be going out close to my cost."

Increased manufacturer competition a boon to shoppers & retailers

A K mart manager in Detroit also points out that in the last few years, the manufacturers of household products, in general, have gotten much more competitive with each other, and that as a result there has been a lot of couponing and rebating in the household products category.

The Top Five Highest Dollar Volume Non-Edible Grocery Categories

Product Category	Estimated Dollar Volume in Food Stores (billions)
Heavy Duty Detergents	$3.1
Toilet Tissues	$2.1
Disposable Diapers	$2.0
Paper Towels	$1.4
Plastic Wraps/ Food Storage Bags	$1.3

Source: Manufacturer estimates based on Sami Market Research for 1986

Plastic Wraps: "An area of opportunity for nonfood chains"

Wal-Mart is currently expanding space for its plastic wraps and food storage bag category.

A manager for the country's second highest volume mass merchandise chain said the category is being expanded because "plastic wraps and food storage bags are selling well for us. But we don't give the category as much space as food stores do, so we think there may be an opportunity here for even greater sales growth."

The manager said the category was currently growing at an estimated rate of about 25% a year and was yielding everyday margins of about 35%, and promotional margins of about 20%.

According to a source for Glad, which is the No. 1 brand in plastic wraps and trash bags, discount stores like Wal-Mart currently generate about 20% of all plastic wrap and storage bag sales while drug stores generate about 10%.

Sales in drug and discount stores, however, are growing twice as fast as sales in food stores, up an estimated 9% in both outlets in 1986 compared to about a 4% increase in food stores.

According to Glad's estimates, the total category increased about 6% in 1986 to around $1.8 billion. Sales in food stores alone were about $1.3 billion in 1986, according to Sami Market Research in New York.

A recent study done by Glad Products also shows that drug and discount stores on average give the category less proportionate space than food stores do.

A spokesman for Glad said the typical food store gives about 40% of its overall plastic wrap and storage bag space to sandwich wraps and food storage bags while drug stores frequently give the category just 29% of their overall space, and discount stores give it 25% of total space.

Both Glad executives and drug and discount store retailers say there is an opportunity for nonfood retailers to increase their sales per square foot in this category if they follow Wal-Mart's lead and expand footage.

Sources for K mart, Eckerd, Gold Circle and several other major chains say they are currently "evaluating" the possible returns on just such an expanded allocation.

"We can feature a Dracket bowl cleaner or a box of Tide or a Pledge furniture polish at close to full everyday retail and still get the consumer to come in because most of these manufacturers are mailing out rebates and coupons offering significant savings," she says.

This particular K mart manager also noted that "Many of the people who make the mops and brooms and other handle products are offering coupons and rebates with $2 and $3 or more off their regular everyday price.

"This, of course, makes that category very attractive to us."

Space allocations up about 25% in the last two years

In the past two years, retailers and manufacturers say they estimate that everyday space for household products has increased about 25% on average in drug and discount stores while promotional activity has more than doubled.

Top 10 Brands in Food Stores

1.	Tide
2.	Pampers
3.	Scott
4.	Huggies
5.	Charmin
6.	Glad
7.	Luv's
8.	Northern
9.	G.E. Lightbulbs
10.	Bounty

Source: Manufacturer estimates based on 1986 Sami Market Research

A chain like Gold Circle, for example, features an assortment of household products every week in their flyers while chains like Wal-Mart, K mart, Walgreen's, Eckerd etc., almost always have at least two or three household products including cleaners in their weekly ads.

Buyers say the increased promotional emphasis is very logical considering the dollar size of most household product categories.

Sami's Top Five Highest Dollar Volume Categories

According to SAMI's listing of the five top volume categories in food stores in 1986, household products are in four of the top spots. Heavy Duty detergents, for example, generated some $3.1 billion in food store sales in 1986, Sami says, while toilet tissues racked up some $2.1 billion in sales.

Paper towels did another $1.4 billion while plastic wraps and bags generated about $1.3 billion. Taken together, these four household product categories generated about $7.9 billion in total food store dollar sales in 1986, while disposable diapers, the third highest dollar volume category, tossed in another $2 billion a year in sales.

Drug and discount store retailers say that giving more visibility to these tonnage categories helps create a "one stop shopping" environment in their stores.

Retailers say they also don't have to go very wide in their assortment of brands in these categories to draw traffic or generate impulse sales. All they need to do is stock the No. 1 or 2 brands in the segment, and shoppers buy "the brand and the price we feature it at."

Why Cleanser Sales are Growing

According to the Charles H. Kline Company, a marketing analysis and research company based in Fairfield, N.J., the household cleansing products category will continue to show moderate, steady growth throughout 1987.

Kline analysts say retailers will continue to see most of the category's growth coming from the soap and detergent segment of cleaners which currently account for about 51% of all household cleaner sales.

According to Kline analyst Elizabeth Donovan, there are several factors fueling the growth of cleansers including the following.

1. Major acquisitions and divestitures

Donovan says the trend today is toward an industry consolidation with the result that the major cleanser companies are aggressively competing against each other for market share.

2. More brand extensions

Donovan says that manufacturers are more likely today to try to retain their competitive edge by extending their strongest brands rather than by introducing new, untested brands.

P & G, Donovan points out, broke a long standing precedent recently by introducing a "flurry" of extensions to Tide in 1985 and 1986. P & G also has new liquid detergents which use the Cheer and Bold brand names.

3. Heightened consumer demand for convenience.

Donovan says the increasing demand for convenient household product items will "continue to encourage product and packaging innovations."

Some of the more recent examples of this trend are P & G's Multi Action Tide sheets, disposable foam sheets containing premeasured amounts of laundry detergent, all fabric bleach and fabric softeners, and Kiwi's Bloo Duck, a liquid toilet bowl cleaner that comes in a package with a spout shaped like a duck's bill. The spout allows the user to apply the cleaner more directly and more neatly.

4. Liquids will remain fastest growing segment in soaps and detergents

Because of their convenience, Donovan thinks that liquids will continue to be the strongest growing segment in detergents. Liquids, she says, accounted for 30% of all detergent sales in 1986, up from 25% in 1985.

5. Changing consumer demographics and buying habits

Donovan says cleanser manufacturers are "increasingly responding to changes in their consumer base through new approaches in promotion and distribution."

She says Mennen's Baby Magic laundry detergent, which is positioned as a cleaner for baby clothes, is a good example of this trend and so are the new light starches which have been developed for and positioned toward younger, working consumers.

Donovan says retailers can expect to see more such product positions in the future, especially toward such demographic groups as single people, older people, teenagers and men, all of whom, she points out, "account for a growing proportion of shopping dollars."

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DRUG STORE NEWS®

Vol. 9/No. 15 **Serving chains, wholesalers and high-volume independents for 58 years.** Published by Lebhar-Friedman Inc. July 20, 1987

Fred Meyer's opening promotion offered sharply discounted H&BA prices and free canned ham with each new or transferred script.

Fred Meyer hams up new format unveiling

By Pamela Krein

MARYSVILLE, Wash. — Pharmacies are "part of what Fred Meyer is all about," according to the retailer's president, Cyril Green, and the pharmacy played its part here recently in helping to draw customers to the latest Fred Meyer store opening.

During the grand opening celebration for its 94th store, Fred Meyer offered pharmacy customers a free canned ham with each new or transferred prescription, and promotional prices on H&BA products.

New store format

The Marysville location—approximately 30 miles north of Seattle—is a new overall store format for the Portland, Ore.-based retailer. In previous Fred Meyer, departments

See **Meyer,** *page 65*

Malone & Hyde adds pharmacy to new Megamarket prototype

NASHVILLE — Malone & Hyde is adding pharmacy to the mix of an expanded Megamarket store format slated for unveiling here later this year.

The new 80,000 square foot-plus, warehouse-style food and drug stores will also have two and one-half to three times the H&BA selection of the three Megamarkets that Malone & Hyde now operates in Memphis, said John Beauchamp, director of retail development for food companies and drug stores.

Beauchamp said prescriptions will be priced to be the market's lowest, with grocery

See **Megamarket,** *page 65*

LATE NEWS

- **NEW CUMBERLAND, Pa. — Rite Aid chairman Alex Grass told stockholders at the corporation's annual meeting here that 544 of 574 drug stores acquired since February will contribute $585 million sales and help the corporation reach $2.5 billion volume in the fiscal year.**
- **DEERFIELD, Ill. — Walgreen Co. reported second-quarter earnings of $25.3 million, compared with $24 million in last year's second quarter, on sales of $1.07 billion, against $913.9 million in last year's period. Six-month earnings were $77.3 million, against $76.9 million last year, on sales of $3.2 billion.**
- **BEDFORD HEIGHTS, Ohio — Fisher Foods, the wholesaler, will end its retail operations by closing 61 Fazio's and Carl's supermarkets, and two Jax deep discount drug stores, after union members rejected a contract clause pertaining to seniority rights.**

Dart debt swap would give chain a financial breather

By Al Heller

LANDOVER, Md. — Dart Drug Stores can take a deep breath now.

The 81-store chain got SEC approval on July 6 to exchange its $160 million worth of outstanding debentures for a new debt and equity package, following its second restructure of the swap in two months.

"Now we can concentrate on running the business," Dart chairman Stephen Hansbrough told *Drug Store News*, sounding relieved to have survived choppy financial waters the past several months.

Danger signals

Indeed, Dart had warned in an April 24 prospectus that if it couldn't refinance its burdensome leveraged buyout debt, it might have needed to liquidate or reorganize under Chapter 11. The chain, in fact, did not pay a $10.16 million interest payment due on the old debentures June 1.

To Dart, the debt swap is a lifeline that will cut interest expenses over the next 10 months to $6.3 million (if 85% of bonds are exchanged) from $22.3 million in the 10 months ended May 31.

The exchange offer will also slash Dart's long-term debt level from $193 million to $125 million. If Equitable Life Assurance Society, which is a 13% note holder, also exchanges, long-term debt will fall to $104 million.

The dealer-manager of the exchange offer is Rothschild, Inc.

Offer commences

Dart immediately commenced its offer to exchange 12.7% senior debentures due in 2001 for a package of increasing rate debentures due in 1992 and common and preferred shares. The offer is expected to end July 31, the last day of its current fiscal year, and would enable Dart to enter the new fiscal period with a far stronger balance sheet.

Moreover, if the deal is consummated, Dart will become the second drug chain of those

See **Dart,** *page 65*

New Marketplace draws 1,000+

NACDS' booth show a winner

Fay's Dale L'Amoureux (c) and Deborah Hogan (l) were among chain buyers finding booth format conducive to supplier meetings.

MINNEAPOLIS — The National Association of Chain Drug Stores unveiled its new Marketplace Conference to a sold-out audience of retailers and manufacturers meeting at the Hyatt Regency Hotel here.

The new show, which combined NACDS's cosmetics and merchandising conferences in a new exhibit booth format, attracted nearly 200 executives, merchandisers and buyers from more than 60 chains. The show also drew some 650 attendees from associate member companies, who had reserved all 200 available booths several months before the opening of the show.

Format gets high marks

Retailers and suppliers gave high marks to the new booth format, citing the ease of setting up meetings as well as the excitement of an exhibit show. Some retailers suggested that a show date somewhat

See **NACDS,** *page 65*

Repackagers claim chains are eying their MD market

NEW YORK — The already controversial issue of physician dispensing of prescription drugs may get even hotter, if drug chains consider moving into the business of repackaging drugs for doctors.

Thus far, the nation's drug chains publicly deny any interest in drug repackaging, beyond what they already do for their own retail and nursing home pharmacies. But reports that some of the nation's biggest chains may be on the verge of repackaging pharmaceuticals for use by doctors have surfaced over the past several months within the repackaging business itself, roiling the waters of an already turbulent and controversial issue.

According to executives of several companies that repackage drugs for doctors to dispense, a number of major drug chains are considering a buyout of some of the biggest repackaging houses, whose growing business with doctors who dispense their own drugs has the retail pharmacy industry worried. If so, it could put those drug chains in the uncomfortable position of publicly decrying the dispensing of

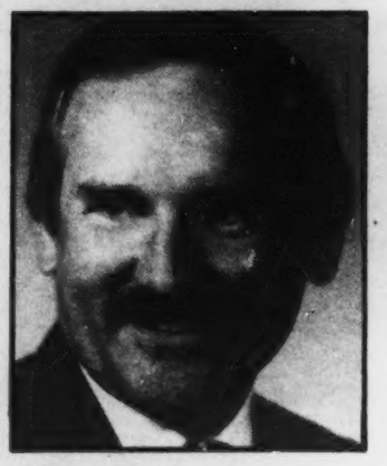
See **Repackagers,** *page 65*

Inside this issue: Inside Pharmacy

- **Exclusive report on top 100 OTC products**
- **Drug stores caught in HMO bidding buzzsaw**

NEWS IN BRIEF

Fay's Kogut named to pharmacy board



LIVERPOOL, N.Y. — John Kogut, senior vp-operations at Fay's Drug Co., will be an adviser to the New York Board of Regents and to the Commissioner of Education in his new appointment to the state Board of Pharmacy. The term runs from July 1, 1987 to June 30, 1992.

The 19-member pharmacy board, a branch of the Board of Regents, advises on issues such as pharmacy licensing exams and control of manufacturing and distributing drugs in New York.

Kogut received his bachelor of science degree in pharmacy from the State University of New York at Buffalo, and a master's degree in business administration from Syracuse University. He joined Fay's as a staff pharmacist in 1969.

Survey rates Bergen sales force tops

ORANGE, Calif. — In such areas as reputation among customers, skill in opening new accounts and quality of sales training, Bergen Brunswig is hard to beat, according to results of a survey of sales executives by *Sales and Marketing Management* magazine.

The company's sales force was voted best in the wholesale distribution field by 1,000 sales executives in 13 industries, who were asked to grade their 10 largest competitors. Bergen got the highest average score.

Bergen stresses service at training sessions and requires all top management to make 100 sales calls a year, said Leo Granucci, Bergen's group vp-sales.

Chappelear to run '88 NACDS meeting

ALEXANDRIA, Va. — Harold E. Chappelear, corporate vp and general manager of the domestic pharmaceutical marketing division of the Upjohn Co., was named general chairman of the 1988 NACDS annual meeting by NACDS chairman Jack Robinson. Chappelear will lead the business program team in developing the 1988 general session agenda.

A graduate of the Medical University of the South Carolina School of Pharmacy, Chappelear joined Upjohn as a salesman in 1962 after a brief period in private practice as a pharmacist.

May's doubles space with new Tulsa HQ

TULSA, Okla. — May's Drug Stores is doubling its office space by moving into new corporate headquarters here, measured at 9,996 square feet.

President Gerald Heller said the 26-store chain's recent growth, which included the takeover earlier this year of Eckerd's Tulsa stores, created a need for more administrative space.

"In addition to moving our entire executive management team to the Tulsa headquarters, we've also beefed up our operations staff and plan to add to our buying staff soon," said Heller.

The headquarters move—to Square One Center—will also allow the 50-year-old chain to expand dramatically departments such as personnel, computer, filing, accounts payable and training, Heller said.

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Drug Store News (ISSN 0191-7587), is published biweekly—every other Monday, monthly in December plus extra Pharmacist's Reference issue in April, as well as an extra Annual Pharmacists Guide to OTC Patient Counseling in October, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: Infield subscribers, retailers and wholesalers, one year $19.50; two years $35. Out-of-field subscribers, manufacturers, schools, libraries and all others, one year $39. Single copy rate $2. Foreign subscriptions: Airmail only $125 per year.

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Vol. 9, No. 15 July 20, 1987

Purchases of Bellamy, King help Owens & Minor build retail sector

RICHMOND, Va. — Owens & Minor Inc. is strengthening one Mid-Atlantic market and entering another with its purchases of Bellamy Drug of North Carolina and South Carolina's King Drug Co.

The acquisitions support the drug wholesaler's goal of building its drug store business, which has recently lost momentum to its hospital supply growth. The sale—set for completion July 31—will add 120 independent accounts, for a 620 total.

"We're trying to find some way to keep the independent drug store alive as part of our business," W. Frank Fife, Owens & Minor's executive vp and coo, told *Drug Store News*.

"[Otherwise] They're going to die over our dead bodies," Fife added.

Buy builds share

The buy of the Wilmington, N.C-based Bellamy Drug Co. allows the publicly traded Owens & Minor to build market share in eastern North Carolina, where it already has a distribution center in Wilson.

The drug, H&BA and medical/surgical supplier also enters South Carolina by buying the Florence, S.C- based King Drug. Bellamy and King are owned by the Lyndale Co., in which William Elmore, Bellamy's chairman, has the controlling interest.

"This transaction is in line with our strategy of expanding our drug distribution capabilities in the Sunbelt. Present management is excellent and will stay in place," said G. Gilmer Minor III, Owens & Minor's president and ceo.

Owens & Minor operates wholesale drug distribution centers in Richmond; Norfolk, Va.; and Miami and Orlando, Fla., as well as in Wilson, and 17 medical surgical DCs in Mid-Atlantic, Southeast, South Central and Southwest states.

Combined fiscal '87 sales

Bellamy and King had combined fiscal 1987 sales of $22.5 million. Owens & Minor posted sales of $457 million in fiscal 1986 and is aiming for $600 million sales in fiscal 1987, ending Dec. 31, fueled mostly by a growing hospital supply business, said Fife.

The medical supply sector has been helped by a year-old contract as exclusive supplier of some medical and surgical supplies to Voluntary Hospitals of America in the wholesaler's markets. The contract added $80 million to 1986 sales, Fife said.

Hospital supply sales grew 46% this June, compared with the same month last year, as total sales grew 33% in the month from the previous year, hitting $49.9 million, Fife said.

To stabilize and build drug store sales—which accounted for 65% of total 1986 sales—the Richmond distributor has launched a new planogram effort. The goal is to build stores' front ends, which are sometimes neglected by overworked pharmacist-owners, Fife observed.

Front-of-store merchandise, which used to account for 60% of business with the stores, has shrunk to 15%, he said.

Fife said the program is open to all customers, even if they aren't among the 75 who belong to the wholesaler's Cardinal Drug voluntary program.

It sets up about 1,000 high-impulse, fast-turning H&BA sku's in one gondola run, leading to pharmacy.

Positioning crucial

"He [the owner] may have these products, but they aren't positioned right, or he isn't watching the movement closely enough," said Fife, who said the planogram is now in five stores as a test.

The company will continue to build operational economies by combining drug and medical supply warehouse operations where feasible. This month, it is closing its Miami drug warehouse and merging those operations with a medical surgical supply distribution in a Fort Lauderdale warehouse. A similar merger was made recently in Orlando, Fife said.

Ike's tests pharmacy and optical dept.

Chain plans to include pharmacies in all future stores

NASHVILLE — Deep discounter Ike's, operated by Malone & Hyde, is testing a pharmacy and an optical department in its third store, which opened here in late May.

Malone & Hyde, which has two other Ike's in its home market of Memphis, is already planning to install a pharmacy in at least one of the existing Memphis stores and will also put it in the other if the lease can be modified to accommodate a pharmacy.

Based on the success of this first pharmacy, which sources say did over 250 scripts a day during Grand Opening week, Malone & Hyde plans to put pharmacies in all future Ike's.

Currently, a third Ike's is scheduled to open in Memphis this September. Management is also looking for a fourth site there, as well as at least one other site in Nashville.

Optical sales in this new store also "look good," management says, and Ike's will also put another optical department in that third Memphis store, which will open in September.

During Nashville's Grand Opening week, the optical department, located in a front corner of the store, generated approximately 40 scripts a day. Just three weeks after opening, the department was averaging about 30 scripts a day. Sources said the break-even point for the department is about 12 to 14 scripts a day.

Bob Billings, president of the Malone & Hyde Retail Drug Store division, believes sales in the optical section can grow at a fairly steady pace, especially as word gets out that optical prescriptions can be filled at Ike's for as low as $19.95 and that Ike's has a selection of approximately 1,500 different frames.

Nine stores in Ike's sister division, Super D Drugs, currently also sport optical departments.

Decision pending

Billings said the company hasn't decided yet what it will do with its Super D optical departments if the Ike's sections are a big success. Billings did say, however, that if the optical department continues to perform as well as it is doing now in Nashville, it will certainly go in as an everyday department in all future Ike's, and it may also be added to the two original Memphis stores.

Both the optical and pharmacy departments can be expected to increase the average sale in Ike's and consequently generate higher than average annual store sales.

Billings says that potentially, the pharmacy department should be able to generate between 500 and 700 scripts a day, while optical might be able to generate annual sales of between $300,000 and $350,000 a year. The average check in optical, Billings thinks, could eventually turn out to be about $35.

THE MORE YOU BUY, THE MORE YOU SAVE.
DEAL AND ON TO YOU
DISCOUNT FASHION OPTICAL
LATEST RELEASES

Ike's new optical department easily passed the break-even point with approximately 30 scripts a day three weeks after opening.

Fierce competition in greeting cards spurs sales

Drug chains are receiving more urgent messages from the greeting card industry.

Aggressive marketing by the three big greeting card companies—Hallmark (and Ambassador), American Greetings and Gibson—is causing chains to look harder at card, gift wrap and stationery programs, which have already been reassessed due to vendor emphasis on direct product profitability.

The result: increased drug store card sales during a relatively flat market, as chains experiment anew with locations and adjacencies and use new vendor programs to promote cards and target specific audiences.

Promotions developed

Chains such as Crown Drugs and Happy Harry's have posted double-digit sales growth this year. Thrifty, Walgreen and Eckerd are among chains that have used or are developing promotions in American Greetings' 1½-year-old "We Drive Your Business" program. Eckerd is injecting Ambassador's "My Thoughts Exactly" alternative card line into selected markets that Ambassador has identified through demographic surveys.

Gibson, in chains such as Pay Less NW, Peoples and Thrift, is planning some major new product launches later this year, which will include a new alternative card line and new marketing programs, according to Duane Tabor, Gibson's vp-marketing and creative.

A fierce battle for market share by the big three has led to the best terms in recent memory, buyers said, as well as a fair amount of account turnover.

"Before, everybody just sat back and accepted what the greeting card industry had to offer; those days are gone," said Al Deibler, Revco's divisional merchandise manager.

Revco picks American Greetings

Revco's card program, revised last year, took another turn in May, when the 2,000-store chain moved 100% to American Greetings (dropping Gibson).

Deibler said that the card program is now "in a holding pattern" with the conversion process under way. He said while the store will likely continue to favor a front-of-store site for cards, adjacent to cosmetics, the linear footage—which Revco in selected stores had doubled to 84 feet—will be reassessed.

One change is virtual elimination of stock under the counter by using fixtures with false doors to keep all inventory out and turning. "The inventory that can get tied up in those drawers is astronomical. And it is very difficult to police," Deibler said.

Retail analysts say vendors are fighting for market share points, since the two key factors that have supported card growth have dried up. They were inflation-supported price increases and selling into new major retail sectors, which has been completed.

"At best, unit sales were up nominally (from 1985 to 1986)," said E. Gray Glass III, first vice president, Prudential-Bache Securities.

Vendors' profits hurt

Glass said while vendors received decent sales growth—American Greetings, for example, gained about 10% in its 1987 fiscal year—their profits were hurt in part by the costs of refixturing, which stemmed from the high account turnover. American Greetings profits dropped from $74 million in 1986 to $63 million in 1987, Glass said.

This kind of pressure is changing the way the companies do business.

Steve Bishop, vp at the Lafayette, Calif.-based Bill's Drug, said Hallmark for the first time is writing credit terms on unsold merchandise. Starting last Halloween, they were giving the chain full credit on leftover seasonal stock toward rebilling the next year. That has allowed Bill's to cut inventory expenses. And Hallmark is selling more cards to the chain, since Bill's had tended to underbuy to avoid carryovers.

With stores split between Hallmark and Ambassador, Bill's favors a front-of-store location for cross-merchandising with gifts and appliances.

Even though Bill's carries Hallmark's Shoebox line, it features a stable of alternative vendors, whose lines have sold well: Renaissance, Recycled Paper, Sun Rise, California Dreamers and Blue Mountain Art, Bishop said.

Fast turners emphasized

Crown Drug in North Carolina promotes its 128-foot Hallmark departments in weekly newspaper ads, which might also emphasize the complete selection of party supplies during non-holiday periods. The chain gained 16% sales growth in 1986 by policing carefully to emphasize the fastest-turning merchandise, according to president Ray Gentry.

Delaware-based Happy Harry's posted a 20% sales gain in 1986 from its American Greetings card, wrap and party department, helped by quarterly promotions in which the chain sells all American Greetings items at 40% off, according to Pat Smith, assistant vp.

Happy Harry's puts its department in a rear-of-store alcove, which allows it to use wall space for pegging paper and bow combo wraps and stationery above cards, and thus saves front-of-store gondola space. Smith feels the rear location doesn't inhibit access, because signage is easy to see and the store's layout is open and invites circulation.

Eckerd added 24-27 more linear feet with a third side of cards as part of its Spartan reformat, which put cards at the front of the store, adjacent to cosmetics. It puts seasonal cards on the third side, facing cosmetics. Besides giving them the best exposure, it relieves traffic congestion in the everyday department during holiday periods, allowing better sales of the basic selection.

Eckerd's card game promo

Eckerd increased traffic in a six-week game card promotion with American Greetings in which shoppers filled a card with stickers they received when buying the vendor's products. It has also used Ambassador's program for targeting its "My Thoughts Exactly" alternative card line, putting the cards in markets the vendor identified as most promising based on demographics.

Snyder Drugs, with American, Ambassador and Hallmark, is reviewing its promotional options. "We have yet to decide how we are going to promote," said buyer Ron Riviere.

Carrying Ambassador's "My Thoughts Exactly" in all its stores, Snyder is also retaining American Greetings' "In Touch" line, which some buyers said customers resisted. Riviere said he expects better success since the postcard-type card has been revised into a folded style.

The recently expanded American Greetings selection in this Burien, Wash., Pay 'n Save unit is on seven sides of 24-foot gondolas at the center of the store.

Profile of the alternative card consumer

- ***He/she is most likely to be single***
- ***A renter***
- ***Income above $35,000***
- ***White collar***
- ***A resident of the Northeast, Mid-Atlantic or Midwest.***
- ***Under 50 years old***
- ***The possessor of some college education***

Source: Data compiled by Ambassador Cards for marketing its "My Thoughts Exactly" alternative card line

Merger creates stronger gift wrap contender

(Share of promotional gift wrap market: $250 million factory sales in 1986)

Company		
Gibson-Cleo	40%-42%	
American Greetings Plusmark	17%-20%	
Papercraft	14%-16%	
	Before acquisition	*After acquisition*
Artfaire (Fox Valley Corp.)	10%-13%	15%-22%
CPS Industries	5%-9%	
Other	4%-10%	

Sources: Kidder, Peabody & Co., and E. Gray Glass III, analyst, Prudential Bache Securities

Writing instrument sales rise 14% to $2.21B

Sales growth in mechanical pencils and ballpoint pens helped carry 1986 writing instrument sales over the $2 billion mark at the retail level, the Writing Instrument Manufacturers' Association reported.

Writing instrument sales at retail grew 14% in 1986, with retail dollars hitting $2.21 billion, compared with $1.94 billion in 1985.

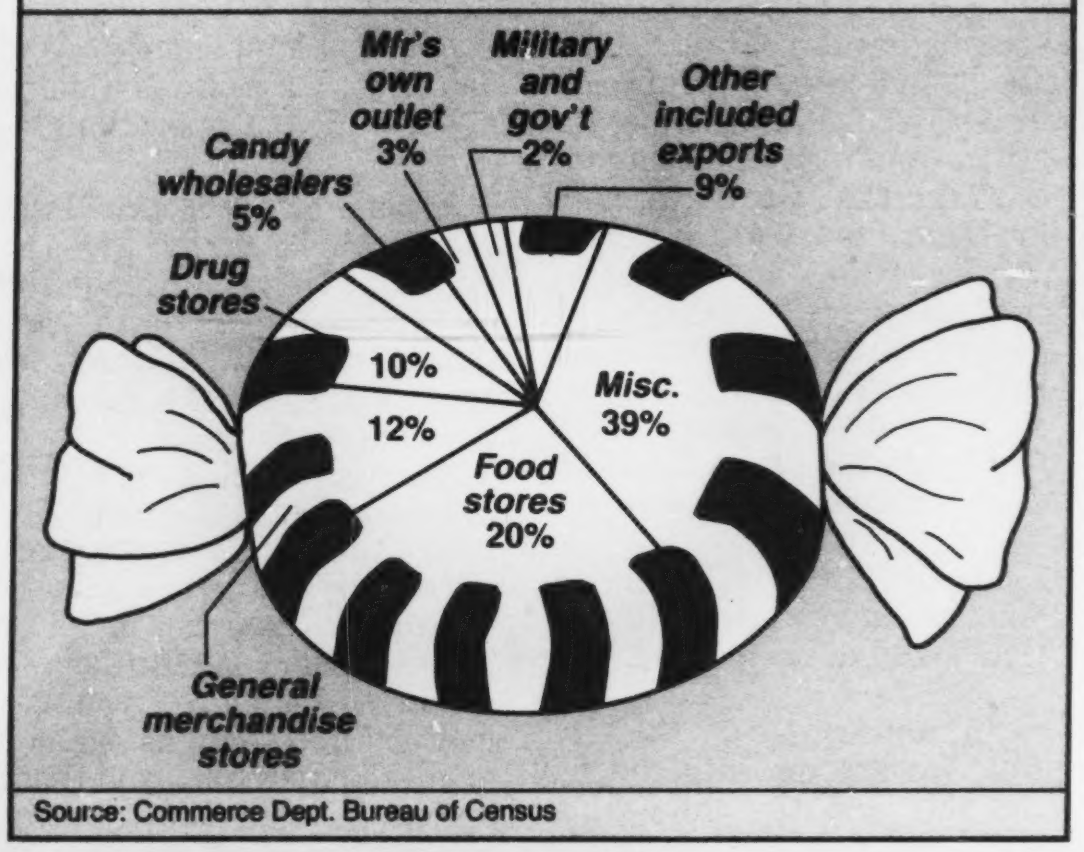
Unit sales were up over 10% to 3.88 billion, compared with 3.5 billion, the association said.

The leading gainers were markers and highlighters, with thick and thin highlighters showing an 82% growth at the wholesale level. Sales at the manufacturers' level were $31.7 million, compared with $17.5 million. Markers grew 39% to $74.2 million from $53.5 million.

Mechanical pencil sales at wholesale increased by more than 30%, with the largest gain in the clutch action models. The category's sales hit $110 million, from $70.9 million.

Ballpoint pens, the largest category, posted a strong sales showing with a 7% gain.

Market share by outlet
(Total sales in mfr. dollars = $7.3 billion)



Source: Commerce Dept. Bureau of Census

Candy to make a comeback as chains return to their anchor categories

Candy manufacturers are joyous over the chain drug industry's return to basics. They believe that as retailers begin to turn back to their roots, candy will regain its position as a premier drug store item.

"We feel the industry has begun to stabilize; many of the acquisitions are behind us now," observes Tom McNulty, vp-marketing for Whitman's Chocolates. "We're going back to the basics, and candy is certainly a key."

Retailers attending a recently held National Association of Chain Drug Stores gathering confirmed the swing back to traditional anchor categories such as candy.

Rely on core categories

"To look ahead, we must actually look back to the drug store of yesterday," reports Alex Grass, chairman of Rite Aid. "The drug store of the future will rely on growth from the core categories which helped build our business, including pharmacy, OTCs and candy, to name a few."

This is all promising news for a category that has been churning out substantial sales gains over the past few years, despite obstacles such as rising prices and America's obsession to be trim.

Sales in chain drug stores rose almost 10% last year to just over $1 billion. The candy department, including bagged, boxed and bar candy plus chewing gum, now accounts for 3.5% of total chain drug volume. Drug outlets ring up almost 10% of overall candy sales.

Americans' craving for candy shows no signs of abating. Consumption hit a new high of 3.23 billion pounds in 1986, according to figures from the National Confectioners Association.

Although bagged candy accounts for the majority—almost 40% of volume—in chain drug stores, boxed candy is exhibiting fastest growth. Some buyers and vendors attribute this to a move toward higher-ticket, boxed candy ensembles.

"We see a strong gift-giving trend and we look for boxed chocolates to be up slightly in sales," explained McNulty.

Customer perferences count

He adds that Whitman's has been listening harder to its customer to design candy assortments that are in tune with customer preferences. "We've improved the selection to be what the customer wants, and we've upgraded the quality of the chocolate in our Favorite Line and Golden Selections."

Sources at Peoples, Genovese and Eckerd agree consumers are willing to pay more for premium candies, such as Fannie May, Andes and Whitman's. Domestic suppliers say they are bracing for a continued assault from foreign firms with "fancy European" names, which consumers often link with quality.

Some firms are taking steps to head these brands off at the pass. Whitman's has new packaging which conveys a more quality image, for example.

Not convinced

Despite the acceptance of more expensive assortments and so-called designer candies, some buyers are not convinced consumers are willing to spend more. "We have not seen a big trend toward upgrading," notes Charles Monk at Harco Drug. Another Southern-based buyer agrees that if it is a trend, it hasn't spread to his stores yet.

Instead, value has become the buzzword for many chains. This means aggressively promoting the larger candy bars or working out deals with vendors to get more items per bag. Walgreens, for example, puts together special packages with one extra lollipop or candy cane for the same price.

"The larger bars or bigger bags help justify the price increases," chuckled one buyer.

(Continued on page 18)

Cocoa Puffs
INSIDE THIS PACKAGE
LEMON LIME, CHERRY AND ORANGE
MIKE AND IKE SNACK PACK
Cocoa Puffs

MIKE IKE
JOLLY JOES
HOT TAMALES

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Over 4 million consumers will receive free samples of Mike & Ike® candy.

For three months beginning June 1, free SNACK PACK boxes of Mike & Ike® will be on store shelves across the country—inside both size packages of General Mills Cocoa Puffs® Cereal. On the back of each cereal package, consumers will be told that they can find regular size boxes of fruit-flavored Mike & Ike®, grape Jolly Joes® and cinnamon Hot Tamales® at their favorite store.

Consumers will see advertisements run by Just Born and General Mills announcing this promotion on National Network Television. They will air during Saturday morning children's shows.

Stock up now on all three varieties of Just Born candies to take advantage of the dramatic increase in consumer demand.

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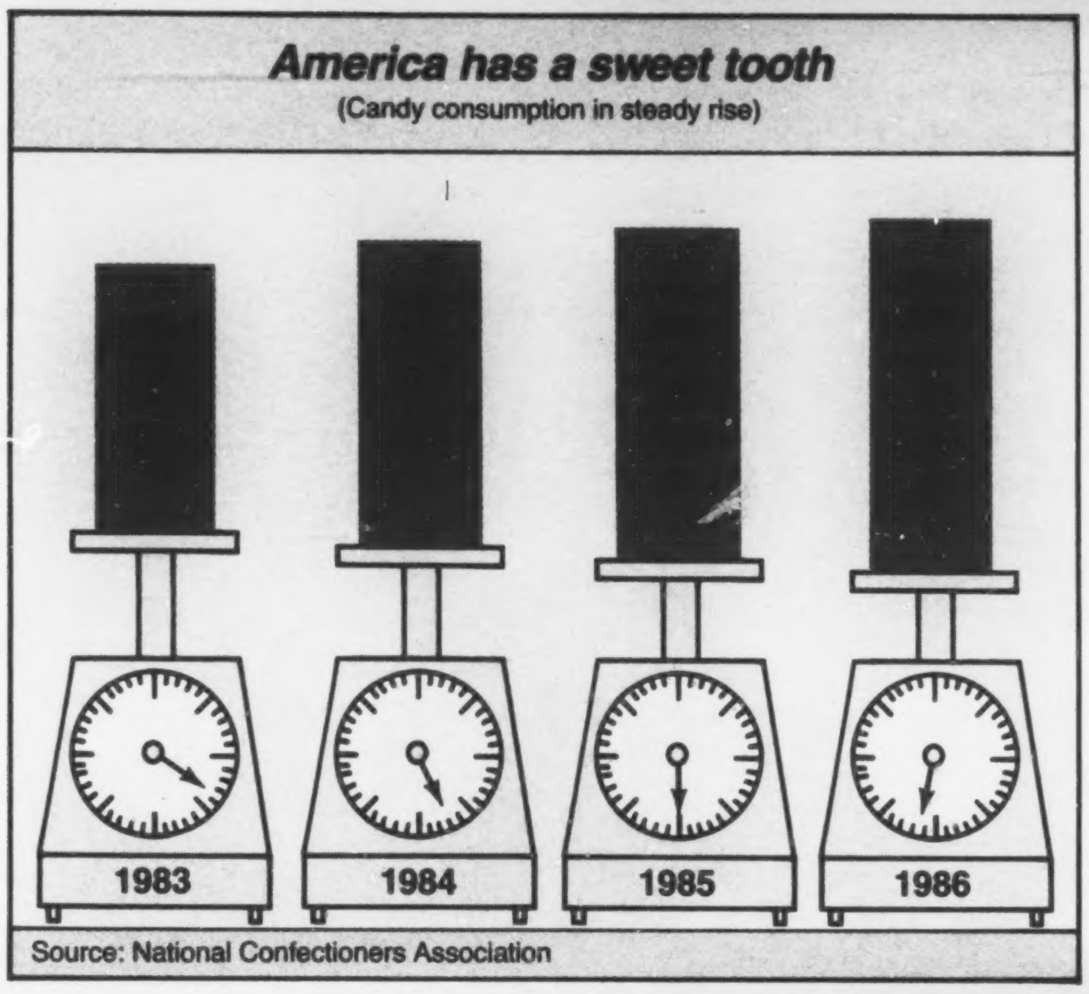
America has a sweet tooth
(Candy consumption in steady rise)

Source: National Confectioners Association

Checkouts ideal for touting candy

Jessica Cetnar, a drug store cashier at Quakerbridge Mall in New Jersey, always knows her register will ring at least 60 cents higher when she sees a parent with a child in tow.

She estimates that three out of every four children who come through her busy checkout snatch a candy bar—with or without the parent's consent. Their favorites? Bubble gum, Snickers, M&M plain and Hershey bars, she says.

Merchandising candy at checkouts is a guaranteed way to boost candy sales by appealing to the impulse urges of children and adults alike. With 75% to 80% of candy purchases (excluding box selections) selected on whim, it is critical that retailers expose the maximum amount of store traffic to these treats.

"We've gotten into a candy checkstand program that has just been fantastic," Bob Page, president of Quick Chek Food Stores in Whitehouse Station, N.J., said at a recent *Drug Store News* panel on front-end merchandising.

Several chains, including CVS, Eckerd, Perry, Happy Harry's and K&B, have pushed aside many categories associated with the checkout area to clear space for candy, now ranked as the most powerful merchandising classification at the checkstand.

Some retailers say they've even turned over precious space once given over to cigarettes (a category where vendors pay display allowances) to candy. "With the trend away from smoking, we see more interest in candy," offers one Chicago area retailer. At the checkout, retailers report a move toward higher-ticket items. The value-added, larger Hershey bars are moving briskly. "And," said Doug Bailey, vp-merchandising for Eckerd at the same panel discussion, "we're moving the premium bars at checkout even better than the in-line locations."

Some chains, however, have not been able to snare away checkout space from magazines, cigarettes, razors and film. Many chains do not have the checkstand format designed to hold candy racks.

A solution at Begley, according to the chain's candy buyer, Mike Tipton, has been to include candy on endcaps and on the new wire-wing fixtures that hang on gondolas. Eckerd, too, uses its four-sided fixtures to house candy.

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☐ Our 12-ounce Creme de Menthe poly bags were an overnight success. And no wonder. Bagged candy buyers get more delicious Creme de Menthe wafers for their money. And retailers get more delicious profit from every sale. ☐ So what do we do for an encore? ☐ Presenting another
great-selling flavor—Ting-A-Ling® milk chocolate crunch—now in .2-ounce poly bags. ☐ Now your bagged candy customers have a choice. ☐ And you have two ways to improve the bottom line of your bottom shelf. ☐ For details, see your Andes representative. Or phone (800) 558-2428 toll free.
TING-A-LING

Comeback

(Continued from page 16)

Many agree, however, that the larger bars with bigger price tags have helped boost average tickets. For example, entry level used to be 30 cents, but is now 40 cents. And it is not unusual to see bars retailing over $1.

Buyers say they are currently eyeing Halloween candy assortments. And, once again, they insist they'll refuse too many specially packed promotions. "We look for items where we can remove the sleeve when the season is over so it can go in-line," offered Mike Tipton, buyer for Begley.

The reason is simple. Retailers can't afford to carry over candy inventories—especially after a few years of lean Halloween sales. Instead, they feature standard candy on special seasonal displays, then return the candy to the gondola after the event.

Although pleased with candy sell-through and turns, which average 7.5 times per year, retailers bemoan the lack of anything truly innovative. There's nothing to match the explosion of Gummi Bears a few years ago, or the Garbage Pail Kids bubble gum.

However, a source at Sathers, a maker of bagged candy under private label names such as Eckerd as well as its own brand, says Gummi Bears are still selling briskly. "So are Gummi Worms and Fish," he noted.

Sathers is also debuting two new candies: Shimerees and Snippits. Shimerees are a hard candy with assorted centers; Snippits have a chewy core.

The introduction of low-calorie candy was met with a warm reception in the trade, but has only produced lackluster sales to consumers. Whitman's Lite received mixed reviews from retailers.